THE PHOENIX
MILLS LIMITED

Corp. Office : Shree Laxmi Woolen Mills Estate, 2nd Floor,
R.R. Hosiery, Off Dr. E. Moses Rd. Mahalaxmi, Mumbai - 400 011
Tel : (022) 3001 6600 Fax : (022) 3001 6601
CIN No. : L17100MH1905PLC000200

February 11, 2019

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street Fort, Mumbai- 400 001
(Security Code: 503100)

The National Stock Exchange of India Limited
"Exchange Plaza" Bandra-Kurla Complex,
Bandra East, Mumbai- 400051.
(SYMBOL: PHOENIXLTD)

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call held on Friday, February 08, 2019

We herewith enclose a Transcript of Earnings Conference Call held with Analysts/Institutional Investors on Friday, February 08, 2019 for your reference.

The Transcript of Earnings Conference Call is also being uploaded on the Company's website at http://www.thephoenixmills.com

Kindly take the same on record and acknowledge the receipt.

Yours faithfully,

For The Phoenix Mills Limited

Gajendra Mewara
Company Secretary

THE PHOENIX MILLS LIMITED

The Phoenix Mills Limited
Q3 & 9M FY19 Results Conference Call
February 8, 2019

Moderator: Ladies and gentlemen, Good day and welcome to the Q3 and nine months FY19 Results Conference Call of The Phoenix Mills Limited. The company will be represented by the Mr. Shishir Shrivastava – Joint Managing Director and Mr. Pradumna Kanodia – Director, Finance. At this time, I would like to handover the conference to Mr. Shishir Shrivastava. Thank you and over to you, sir.

Shishir Shrivastava: Good afternoon ladies and gentlemen, Mr. Kanodia and I thank you for joining us today. We welcome you to the The Phoenix Mills Limited conference call to discuss the Q3 and nine month FY19 results. The Phoenix Mills Limited is India's largest retail-led mixed use developer and operator and our retail assets across 6 cities are the leading malls in their respective locations. Our retail portfolio provides a solid foundation for progressively growing annuity income. We are also diversified across annuity assets in commercial and hospitality and have a small presence in the residential space.

Moving on to the result highlights, strong consumption trends and our continued efforts to drive operational efficiencies have yielded a very robust operational performance. We reported a consolidated EBITDA of Rs. 2,225 million, up 8% year on year and PAT of Rs. 708 million, up 9% year on year during Q3FY19. Phoenix Market City Mumbai and Phoenix Market City, Pune were the top performing retail assets demonstrating strong consumption and rental income growth. With respect to our commercial and hospitality businesses, Fountainhead Tower-1 in Pune became operational in Q3FY19 and The St. Regis Hotel in Mumbai continued to deliver robust operating performance. I am going to request Mr. Kanodia to give a detailed perspective on our consolidated operating and financial performance.

Pradumna Kanodia: Thanks Shishir. Coming to the numbers, consumption during Q3 was at Rs.18,879 million which is up 10% year on year. The retail rental income was up 16% year on year at Rs. 2,565 million. This was led by the strong operational performances across all our retail asset as Shishir had just mentioned. As you may know, what makes us successful with our retail malls is our partnership approach with our retailers. We are focused on a continuous learning and supporting our retailers with deep business insight to enhance their revenue streams which translates into strong total consumption and retail income for us at the centers. This creates a win-win proposition for the retailers by the way of higher consumption and for our company by way of higher rental income linked to the revenues. Retail EBITDA for Q3 FY19 was up 21% year on year at Rs. 2,459 million. Our commercial portfolio delivered an income of Rs. 327 million in Q3, up 89% driven by a few factors like higher occupancy at the Art Guild House, Mumbai, one of our premier offerings in the commercial space and the launch of Tower-1 of Fountainhead in Pune which became operational with 74% of the area already being leased out.

Our hospitality business, it continues to deliver promising results. At The St. Regis Hotel in Mumb ai, part of the large mixed-use development at High Street Phoenix. Q3 EBITDA was up 23% year on year to Rs. 287 million. This was largely driven by higher occupancy of 82%, up 6 percentage points year on year, strong ARRs of Rs. 12,422, up two percent year on year up and EBITDA was up 18% for 9 months at Rs. 843 million. The St. Regis today commands one of the highest ARRs among all luxury hotels in Mumbai and has emerged as a destination of choice for the South Mumbai markets for social gatherings due to its large banquet facilities and convenient locations. Now I will hand over the mic to Shishir to just give a perspective of our future developments which are in the pipeline.

Shishir Shrivastava: Well, we have had an exciting last quarter in terms of our pipeline of our coming developments. Work at Phoenix Market City, Lucknow is at an advanced stage and we expect the mall to become operational sometime in the second half of FY20. We have commenced site activities, excavation at Phoenix Market City 2 at Pune, Wakad, and we expect to commence excavation at Phoenix Market City, Hebbal, Bengaluru, within the next week or so. Our JV in Ahmedabad has also seen significant progress. We have received all related approvals including building plans and we have completed significant amount of excavation and the membrane wall. So, work is progressing at a very fast pace at these locations. We expect construction at Phoenix Market City, Indore, to commence in the latter part of the current quarter in Q4. We have set a target to expand our retail portfolio to between 11 to 12 million square feet by FY23 and we continue to scout for few opportunities in select underserved tier 1 markets. With the portfolio already under development, we see our operational portfolio's size in the retail space increasing from the current 5.9 million square feet to about 10.5 million square feet. We expect to add 2 more projects soon enough so that we can achieve our target of FY23 of 12 million square feet. At The Phoenix Mills Limited, we are committed towards creating long-term value for all our stakeholders and we will continue to be prudent in our capital allocation. With this, we would be happy to take your questions if any.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Congratulations, once again, good growth on the rentals and consumption side. My first question actually relates to your new mall which is the Palladium, Chennai, how is that doing versus your expectation?

Shishir Shrivastava: Palladium, Chennai, commenced operations in February of 2018 and consistently over the last 3 quarters, we have seen some significant growth in terms of consumption and rental and trading density as well. For example, if we were to compare Quarter-3, we have seen a growth in Palladium, Chennai, on consumption growth of...,

Puneet Gulati: Growth will not be there, right? There is no base number.

Shishir Shrivastava: No, when I look at over the last 3 quarters, we had a trading density which commenced at about Rs. 700 odd per sq. ft per month. Today, trading density is at roughly around 852. Its average is close to about Rs. 800 per sq. ft per month for the nine-month period, but trading occupancy has grown significantly to 81%. In our opinion, the rental derived of about Rs. 131 to Rs. 132 a square foot is now going to start seeing some increase as the consumption grows. Largely this is contributed by way of the minimum guarantee there. Also, Palladium, Chennai, has 2 large anchors which are H&M and Shoppers Stop. So, there is a slightly different format compared to what we have in Mumbai in terms of the brand mix at that location. In the next 2 or 3 quarters, we expect this number of trading density to start catching up closer to what we have at Market City next door.

Puneet Gulati: The rentals currently on a blended basis seem to be lower than the Chennai Mall itself.

Shishir Shrivastava: Yes, that is on account of lower consumption. The contribution from revenue share will increase as the consumption increases there. As you know, firstly the trading occupancy has to hit in the late 80s. After, let us say, the initial 3 to 4 quarters, the stores start showing exponential growth in consumption. As this trading density moves closer to say Rs. 1,400 per sq. ft per month or thereabouts, we are going to see the rental rate also catch up or maybe exceed what we have at Market City.

Puneet Gulati: What would be your expectation for timeline of it to hit 1400-1500?

Shishir Shrivastava: I would think another 2 to 3 quarters.

Puneet Gulati: Secondly, on your portfolio which is coming up to become operational; this is essentially the Lucknow Mall in FY20, how much of preleasing have you already done and what are the average rentals looking like now?

Shishir Shrivastava: We have been active in our discussions with the retailers and we have leased a significant portion of it. Approximately 60 odd percent has been leased in terms of LOIs being executed or retailers having committed the space and put in some kind of a deposit. When we had underwritten this project, our business plan rental was about Rs. 85 per sq. ft per month to achieve our desired returns. It seems at least on the basis of the current leasing, we are at about Rs.110 on average.

Puneet Gulati: And I will presume then incremental ones would come at higher rates.

Shishir Shrivastava: Bulk of the space remaining is inline stores but we are talking about minimum guarantee right now and there will be a revenue share component as well. We expect the number to be significantly better than what our original estimate was.

Puneet Gulati: Which will be the second one that will commence operations?

Shishir Shrivastava: As you know, Lucknow was unique case where more than 80% of the RCC work was complete when we acquired that project. We expect maybe Indore which is more than 85% RCC work is complete, we are just waiting for approvals to be revalidated by the authorities there so that we can actually commence with casting of the remaining RCC and moving on with the work. So that is something which is out of our control. It could take maybe 2 months or 6 months for these approvals to come, but the turnaround once that happens will be very, very fast like we have seen at Lucknow. We expect Ahmedabad where we have all the building plan approvals now in place and work is progressing at a very fast pace. So, we expect that to be the one off the ground. So, it could be either Indore or Ahmedabad which come online around the same time, sooner followed by Hebbal and Pune.

Puneet Gulati: What is the progress on leasing for Indore and Ahmedabad?

Shishir Shrivastava: For Indore and Ahmedabad at this point in time, there is nothing significant to talk about. We have done some minor anchor leasing, we have done the multiplex at Indore, but we are waiting for the right time to actually go out and launch. But from our experience at Lucknow and even otherwise in the past, we have seen that when we go out and commence leasing, within a period of 4 to 6 months, we complete at least 60% to 75% of the leasing.

Puneet Gulati: Lastly if you can comment on what's really happening on the residential projects. They seem to have slowed down quite a bit. Of course, the market is not great these days but still.

Shishir Shrivastava: During 9M FY19, in One Bengaluru West project we have done some 21 units sale and Kessaku we have done some 3 or odd units. We were also reworking on the sale agreements based on the RERA guidelines. So, some transactions have not been recorded because those agreements have not been finalized. I think in this quarter, that is the last quarter of FY19, we expect to see some good numbers coming in. Also, we are expecting the OC for Kessaku in this quarter. So, we will end up booking sales also.

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

Abhishek Bhandari: How do you see on a longer term the High Street Phoenix playing out? Where I am coming from in terms of is do you see the rent will peak out at some stage when Worli project starts commencing of Oberoi and Maker Maxity possibly in BKC also comes up with some retail space? Do you see them as a threat to your Palladium or you see there is scope for everybody to survive and thrive?

Shishir Shrivastava: Firstly, in a city like Mumbai, we are grossly underserved in the retail space. We are certainly not ignoring the fact that Maker Maxity is going to come up with some newer experiences and therefore our constant endeavor at High Street Phoenix has been to upgrade that experience as we progress. As you have seen over the last 10 years, every month there is something new that is happening there. What is really interesting is that High Street Phoenix and Palladium in FY20, we are going to see about a 25% leasable area coming up for renewal and in FY21 another 16%. This gives us the opportunity to really bring in some newer experiences, newer brands, newer formats, and continue to have some attractive options for our customers coming in. Also, as you are aware, the PVR at High Street Phoenix has undergone a significant renovation and is a spanking new product which is very, very good, very well appreciated by the customers. Having said that, we do believe that this Metro work which is right outside on Dr. E Moses Road is really causing some inconvenience for customers. So, we have made the effort of creating some new accesses from the road behind which is called the Drainage Channel Road, and we have communicated that very well over social media and otherwise. So, we don't see a reducing number of footfalls but clearly there is some inconvenience. I think that's the only risk that we have here. Competition risk will always be there but we continue to do what we do best which is focus on our work and improve our product.

Abhishek Bhandari: That's helpful. Let me try and ask you in another way. Typically, we see that the cost of occupancy in malls tend to range in the range of 12% to 15%, probably slightly higher for the go-to malls like Palladium. In that context, do you think there is still some more scope for us to increase the overall rent charged to the tenants if their businesses are not doing that well?

Shishir Shrivastava: High Street Phoenix and Palladium have seen a trading density in this 9 months of about Rs. 3,000 a square feet per month. In some months, we have also hit about Rs. 3,400 per square feet per month or thereabouts. In the country, I would say that this is the highest. Maybe, if not the highest, then one amongst the top two or three in the country. This is I think is a testament to the fact that retailers continue to do extremely well at these centers. If your concern is will our rentals drop because retailers will not do well enough, I don't believe that we have that kind of a threat where retailers' sales are going to drop. Clearly, consumption growth may not be as high as like say Phoenix Market City, Mumbai, which has shown some 17% to 18% consumption growth. It may not be as high because of this inconvenience of Metro work, access issues, etc., which over a period of time we will deal with, but I am not expecting a degrowth in consumption.

Abhishek Bhandari: We have seen a good amount of total space being rented out to F&B over the last 4 to 5 years and actually that has been a very wise strategy to ensure that the footfalls actually rise and the consumption rises. Do you see even further scope to increase the F&B contribution in the overall malls even from here or do you think going forward from here, it will be just into few assets where you can possibly add some more eating joints?

Shishir Shrivastava: This is actually more location specific. There is no one general answer. Every location has a different answer. For a mature location like High Street Phoenix in Mumbai, I would say that multiplex, entertainment and F&B all put together, we have determined that the ideal mix would be about 30% of the leasable area. The same would hold true for a Phoenix Market City in Bengaluru or Pune. However, with let us say one of the new malls at Phoenix Market City, Indore or Lucknow, you don't have those many pan India operators in F&B who would be there as yet to operate out of Indore and Lucknow. So, you may start off with a lower area allocated to them and as the mall evolves over a period of time, you will continue to increase the allocation for entertainment and F&B.

Moderator: The next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: My first question is on The St. Regis Hotel. Now it has been a very good quarter with up to around Rs. 35 crores of quarterly run rate on the EBITDA front. What do you see in the terms of how much further can this EBITDA go up over a couple of years considering that already we are at quite high occupancies, ARRs, and our banquet income is also fairly large.

Shishir Shrivastava: Right. We believe that this asset has the potential in the next 2 to 3 years to reach at top line of approximately I would say close to about Rs.360 crores. We are currently operating on an EBITDA margin of about 42% to 43% which I think is very healthy but let us say there is some scope for little bit of improvement in efficiency and also at present, we are investing heavily into marketing to grow the top line. So, as the top line stabilizes, maybe we will mellow down a little bit on the marketing front and with operating efficiencies perhaps the EBITDA margin could go up to about 45%. So, if your question was, is there room for growth, we certainly believe that there is a lot of room for growth. This calendar year of 2018, the asset showed a 12-month performance of revenue of Rs.286 crores or thereabouts. So, there is a lot of head room from Rs. 286 cr to Rs. 360 cr within two to three years.

Adhidev Chattopadhyay: Secondly, again at a group level question on our retail portfolio. Now we are at a quarterly EBITDA run rate of around Rs.250 crores. I think our exit run rate is well in excess of Rs.1,000 crores as we head into next year. Even if the new assets which will become operational excluding those, the current assets, what is the scope? Would you like to share some guidance on the sort of rental income or EBITDA which your existing assets could give maybe in another couple of years' time?

Shishir Shrivastava: Over the next 5 years considering all the renewal schedule and the potential that we see in terms of improving the asset experience itself, I think as a combination of all of that, we would hope to see a mid-teens growth in both rental and EBITDA.

Adhidev Chattopadhyay: Specifically, what categories are driving your consumption growth? What has been the experience in the last 1 year and going forward which other categories in terms of products and in terms of store mix, do you see in the growth coming from?

Shishir Shrivastava: I would say that interestingly in home accessories, electronics, jewelry, food and beverage, and cosmetics in the last nine months, we have seen high teens growth. This is what we have observed but I think it is also a little cyclical. Maybe in some quarters, we see fashion seeing a lot of growth. It depends on the time of the year.

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

Abhishek Bhandari: Has there been any update on the vacant land what we have in HSP given that now the new DCR has come and there has been some movement. Have you guys started thinking something about it?

Shishir Shrivastava: We have been thinking a lot about it. We have been working on several plans and options. I think we have previously mentioned that there is a potential of building close to about 1.5 million square feet under the new development regulations, but utilization and allocation between commercial office and retail, we are still trying to figure out what is the best way of utilizing that.

Abhishek, just to explain that a little further for you, the footprint that one can get over there is not more than about 100,000 odd square feet in vacant space. So, if you were to do a 4-level mall, you will get 400,000 square feet or thereabouts of mall. There is still 1.1 million square feet to consume and we are currently looking at the feasibility of commercial offices, and if there is a way of expanding that retail footprint at all which has some other repercussions. So, we are currently working around all of these thoughts.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

Shishir Shrivastava: Thank you very, very much everybody for joining our call and we look forward to our continued interactions. Feel free to reach out to IR team in case of any queries or questions. Thank you so much.

Moderator: Ladies and gentlemen, on behalf of the The Phoenix Mills Limited, that concludes today's conference. Thanks for joining us, and you may now disconnect your lines.