THE PHOENIX MILLS LIMITED

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December 2, 2016

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Sub: Transcripts of Earnings Conference Call held on Tuesday, November 15, 2016

Dear Sir(s),

This is further to our letter dated November 10, 2016, regarding invitation for earnings conference call organized by the Company on November 15, 2016. 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

Phoenix Mills Limited
Q2 FY2017 Results Conference Call
November 15, 2016

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q2 FY2017 Results Conference 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 to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded.

The Management will be 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. Shishir Shrivastava. Thank you and over to you, sir.

Shishir Shrivastava: Thank you. Good afternoon, Ladies and Gentlemen. And thank you for participating in the Phoenix Mills Limited Conference Call to discuss the Second Quarter Results of Financial Year 2017.

We reported a consolidated income from operations of Rs. 4,911 million for the quarter ended September 2016, up 16% year-on-year. Retail income from malls remains strong at Rs. 2,925 million with a year-on-year growth of 5%. Income from residential sales has increased by 84% year-on-year to Rs. 1,198 million for the second quarter. There was a 46% year-on-year growth in hotel revenues of Rs. 686 million in the three months ending September 2016. We reported a consolidated EBITDA of Rs. 2,312 million, up 25% year-on-year at a margin of 47% and PAT after minority interest and before other comprehensive income of Rs. 543 million for the second quarter, which was a growth of 42% year-on-year.

Retail consumption at our malls for the three months ending September 2016 was Rs. 14.1 billion, up 4% year-on-year and total rental income from our malls came in at Rs. 1.9 billion, up 7% year-on-year. Our retail assets continued to consolidate their position as being the leading malls in the cities they operate in. During the second half of FY2017, we expect a pickup in trading areas across our malls as large areas were under fit out during the first half. Consequently, we see trading occupancies going above 90% across malls.

We are happy to share that H&M's flagship store in Mumbai opened at High Street Phoenix on 13th August, followed by another store opening at Phoenix Market City Mumbai and at Phoenix Market City Pune. The response received at these stores is very encouraging.

Moving on to our development portfolio. We have received the occupation certificate for Towers 1, 2 and 3 at One Bangalore West and hand over of these apartments is in process. Construction of Tower 6 is going on at a steady pace. The One Bangalore West Club House is also ready and the residents will be able to enjoy its amenities from the onset.

Kessaku, our luxury development in Bangalore with larger spaces offering the customers a fine art of bungalow living with a convenience of a gated community. The construction progress at Kessaku is as per schedule and construction for all the five towers has reached above the 26th floor. We have started recognizing revenue from Kessaku from this quarter onwards. Revenue recognized in this quarter is Rs. 932 million.

Construction of Art Guild House, the premium commercial development part of the mixed-use development project in Kurla is complete. We have received the occupation certificate and have started the handover for fit outs of the leased and sold units. Leasing of 0.21 million square feet of Art Guild House is complete as of 30th September, 2016.

Moving on to the hotel's business. Our hotels are performing well and have established themselves in their markets. The St. Regis Mumbai has been doing well consistently. In the quarter ending September 2016, the room revenues were up 50% year-on-year with total income up 28% year-on-year. ARRs remain strong at Rs. 9,671 for the second quarter FY17, up 14% year-on-year with an average occupancy of 69% for this quarter.

Coming on to Courtyard by Marriot at Agra, the room revenues were up 9% year-on-year while total income was up 26% year-on-year. Average occupancy for the three months ended September 2016 was 42% with ARRs of Rs. 3,308.

With this I conclude my discussion and would be happy to address any queries that you may have. Thank you.

Moderator: Thank you very much, Sir. Ladies and Gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Sir, my question was regarding what happened after the quarter. So after this announcement of demonetization of older high value denomination notes, if you could share some lights on the consumption levels in your mall, what is the impact? And if you could share some color on what proportion of consumption in the malls is through cash and how much is through electronic mode of payment?

Shishir Shrivastava: So, we did notice a reduction in the footfalls at the mall on Wednesday and Thursday, this demonetization was announced on Tuesday night, so Wednesday and Thursday we saw a reduction in the footfall. But thereafter, I think over the weekend we have seen full recovery. And even today, this afternoon when we visited High Street Phoenix, we have seen that there has been a large footfall even there today. Food and beverage across the malls saw good consumption, during the weekend that was visible with all restaurants showing high occupancy. The consumption data is yet to flow in, so it will take at least a couple of weeks to collect that information.

Having said that, moving on to the next part of your question. We have analyzed the data and it seems that cash transactions account to anywhere between 20% to 25% of the total sales at our malls. So I do not think that that is going to really create any major dent. Interestingly, we have also seen that the hypermarkets are performing slightly better after the demonetization, we have seen that many people are coming to the mall for even their basic necessities because it gives them the advantage and ability to use plastic money as against cash.

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

Punit Gulati: Just a topical thing, is it possible to distinguish between how the sales have been for your HSP versus PMC?

Shishir Shrivastava: Are you referring to the past week?

Punit Gulati: Yes, the past week. Any differentiated trend in Market City versus the High Street Phoenix? Obviously the two cater to very different segments.

Shishir Shrivastava: Mr. Gulati, as I mentioned, I think the consumption data will still take a few days to flow in to us. But the sense that we have from our visual, visually what one can see is that we have not really seen a fall in footfalls across our centers. There was, as I mentioned earlier, that for the initial two days there was some decrease, but then from Friday, Saturday and Sunday we saw the recovery and business back as usual.

Punit Gulati: Then going back to the previous quarter, if you can give more color on what is happening with the Fountain Head part of the residential portfolio? I saw some correction in the sales numbers there.

Pradumna Kanodia: So, while we have been disclosing the set of numbers against all our residential project, Pune we have seen that the markets have been challenging, we are looking at a suitable reconfiguration as far as the asset is concerned there because we found that the products that we were offering which was of a very superior quality and nature, probably the market was not ready for that kind of an offering. So since we have already completed the civil work of it, there is an ability for us to reconfigure and resize the apartments which may be more suitable to the markets of Pune. So we are taking it slightly easy, we have no rush to really do the re-launch, if you want to call it that way, in the next quarter or so. We are waiting for markets to improve and right now there were a few bookings. A couple of them where we offered them refund and that is why you would have seen the number may be going down by one or two there. The idea is to do a fresh start with the entire project, and since it is a very small project it really does not have a bearing on our overall residential portfolio.

Punit Gulati: And lastly, if you can share what percentage of area remained under fit out during the last quarter?

Shishir Shrivastava: So if you look at various slides that we have given across each of the assets, in Pune there was a large movement that happened because H&M opened and some of the other stores as well opened up. So, Bangalore currently is trading at around 88% with a likelihood of this going up to 96%. So similarly for Chennai the number is 92% and going up to 95% and 87% in Mumbai going up to 91%. Pune is where the occupancy will increase almost by 16% from 79% to 96% over the quarter or so. And these numbers, if you compare to the quarter earlier, there has been a gradual increase, but the real impact of all the renewable and all the completion of fit outs will be felt in quarter three. And as a result of which part of the quarter three numbers will get impacted, and of course very positive impact on the Q4 numbers of FY17 would be visible, because we would be close to almost 95% average occupancy across all our Market Cities as well as of course HSP will be close to 99%. So that really should bump up the top-line and my profitability for Q4.

Punit Gulati: And if you can share any data on Lucknow and Bareilly?

Shishir Shrivastava: Lucknow and Bareilly, again the malls are currently getting repositioned, we are spending a small amount of money to upgrade the mall and to make it a little more suitable for the kind of retailers that we intend housing there. So the occupancies are currently around 80% but the leased occupancies are in the range of around 86% to 87%. So 7% to 8% increase in the trading area would be possible over the next quarter and the team is actually not leasing out the balance area because we intend resizing some of the units to allow some premium retailers to come in which are more suitable for Lucknow and Bareli. So you may find that our occupancies would be at around 85% till we get the right kind of retailers and move the occupancy up to 95%.

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

Abhishek Anand: Sir, my first question of course is with respect to the demonetization, are we seeing any impact on our residential market yet or it is too early for that?

Shishir Shrivastava: I think it is a bit too early to envisage that, though I do not see why it should impact our business, simply because all the transactions are quite straight forward in all our residential developments.

Abhishek Anand: But of course the secondary market have an impact?

Shishir Shrivastava: It is possible, but if you look at Bangalore, for example One Bangalore West, all the inventory that we have launched, bulk of it is sold already. So it is the next launch that will determine whether the market has been impacted or not, which is still some time away.

Abhishek Anand: In the mall side of things, in the last one week have we tried to incentivize with the retailers or the customers, the shoppers specifically in some kind of a discount for plastic money? I am just trying to see if this kind of strategy group is thinking on, especially during these times where it could be a consumption hit.

Shishir Shrivastava: So, what we have done is just from a convenience point of view we have done away with the parking charges, because that requires small change and so that is something from a convenience point of view. But as I mentioned earlier, we have really not seen much of an impact so far in terms of footfalls or consumptions. So I do not believe the retailers have created any incentives for shoppers to use any other mode of payment. In any case, cash contributed only between 20% to 25% of the total sales.

Pradumna Kanodia: To add to that, on the social media we have been very active, so if you look at our Twitter or our Facebook you will see that we continue to encourage people to come to the malls, the convenience of free parking is one thing, of course every retailer there is accepting the plastic money, so there is no issue of going to a store and going out empty handed. So one can have that comfort that you would be able to come and shop for whatever you require.

Abhishek Anand: Secondly, we made some announcement of buybacks of subsidiary shares, I think it was MPC Capital. Could you give us more details on that, how much we plan to spend on that and what is the timeline of the same? So I am just trying to find out, firstly of course what is the consideration; secondly, what is the timeline for the same and what will be the eventual shareholding in the subsidiaries.

Shishir Shrivastava: So we have a comprehensive transaction with them which is across six different SPVs, concluded the terms it is between, these transactions will be concluded over a period of time between December of this year and October of next year, between now and then. And the pricing varies across each asset. And so that is where it is. At this point in time, Abhishek, I am not at liberty to disclose the total consideration, but we will be making those disclosures prior to the transactions in any case.

Abhishek Anand: But in IndAS, are we going to now account it, since we have signed a SPA now, we are going to account as on 73% own subsidiary or we are still going to continue at 58.5%?

Shishir Shrivastava: No, so until the shares are acquired they will continue to show our current shareholding.

Abhishek Anand: In IndAS as well?

Shishir Shrivastava: Yes.

Abhishek Anand: In terms of minority accounting as well?

Shishir Shrivastava: Yes.

Moderator: Thank you. Our next question is from the line of Adhidev Chattopadhyay from Elara Capital. Please go ahead.

Adhidev Chattopadhyay: First question was, there were some news article that you are looking to sell stake in our Bangalore malls and possibly turn that cash to acquire some new assets. So anything you would like to comment on that?

Shishir Shrivastava: Adhidev, at all times we continue to look at different means for raising capital, That is a routine business for us. We have not specifically done any deal or transaction on the Bangalore asset. I think for us we have several means to raise capital to fund our growth opportunities, it could be by way of leveraging at an asset level or at the group level. There is always the opportunity of selling any asset or looking at capitalizing or doing a partial exit. So at this point in time, I would say that the news article clearly was not complete in its accuracy.

Adhidev Chattopadhyay: Sir, secondly, how is the impact of this demonetization thing, we have been reading that the Dusshera and Diwali season this time also is a bumper season for offline retail, sales are up 30% to 50% year-on-year or something. Sir could you give more color on how true those numbers would be in terms of whatever consumption you have seen in your malls?

Shishir Shrivastava: So our October sales data, in fact it showed some very, very good numbers. In High Street Phoenix itself we saw in excess of Rs. 160 crores of consumption at , Bangalore was about Rs. 122 crores, Pune was at about Rs. 105 crores - Rs. 106 crores and Kurla was at about Rs. 60 crores odd. So I would say that even we were to compare from the previous year that was a significant jump in the festival period.

Adhidev Chattopadhyay: And do you sense buying has come back to the offline market from the online market, just to understand structurally how it is evolving?

Shishir Shrivastava: It is a difficult question answer whether people are moving from online to offline. I can certainly say that we continue to see an increase in our consumption and that growth is usually in the high double-digits year-on-year. Whereas if you look online sales growth, it is nowhere close to that number.

Adhidev Chattopadhyay: Sir, lastly just on the hotel performance. Now like after the last quarter now in the current wedding season what is the trend you are seeing in your hotel business, especially at St. Regis?

Shishir Shrivastava: Our books are showing we have been sold out for most of the wedding season, our banquets are sold out for most of the wedding season. Large number of bookings for rooms for weddings and events. So yes, it is a very, very positive outlook that we have for the next four months.

Adhidev Chattopadhyay: So we are saying it is four months ahead, everything is more or less locked in that is what you are saying?

Shishir Shrivastava: Yes.

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

Kunal Lakhan: If you look at our consumption pattern over the last two to three quarters, we have been in the range of around 4% to 7%. Firstly I wanted to ask you, can you give us a breakup of consumption growth in terms of F&B or what it would be in retail and maybe in cinema?

Shishir Shrivastava: Sure, we can try and break that down for you. F&B grew at about 10%, fashion and apparels grew at about 10%, electronics grew at 7%. If we were to look at cosmetics, they grew up at about little over 10% and multiplex was pretty much flat. Does that answer your question?

Kunal Lakhan: Yes, but we averaged at about around 4% odd this quarter, I am just trying to understand, I mean apparels and electronics and other retail would be a major chunk of it. So what brought down that average, I am just trying to understand that.

Shishir Shrivastava: So footwear was pretty much flat, there was a slight reduction in jewellery and watches. Hypermarket dropped at about 3%.

Kunal Lakhan: So at least hypermarket would be a major…

Shishir Shrivastava: I would say hypermarket sort of dropped of about 3%.

Kunal Lakhan: What is the outlook on consumption, considering we expect the occupancy levels to inch up going forward? Can we expect to go back double-digit in the coming quarters or it is going to stay where it is right now?

Shishir Shrivastava: Yes. So this is a very important question. Our occupancy, if we were to just look at our leased occupancy that we have reported in this last quarter and compare that with a trading occupancy, essentially the gap is the area that is under fit outs and likely to commence operations soon. So let me draw your attention to say Pune where the trading occupancy was reported at 79% whereas lease occupancy is 96%. That goes to show that 17% of the area is not trading today and will commence trading in the coming months. So in fact a lot of it has come in to operation in the last month, H&M has come, Lifestyle, Home Center have all commenced operations. And these are large areas too. So clearly with lease occupancy moving from 79% to 96%, this is going to hugely impact the overall consumption in the fashion and apparel as well as in the home accessories category. Same is true for Bangalore where the trading occupancy is 88% whereas lease occupancy is 96%. It holds true for Phoenix Market City at Kurla as well where the trading occupancy is 87% and lease occupancy is reported at 91%.

Kunal Lakhan: So can we expect to back to double-digit consumption of growth from Q3 onwards?

Shishir Shrivastava: Yes, I would estimate that that should be how it will pan out, yes.

Kunal Lakhan: Just coming back to the same question, we have seen the consumption growth over the last few years like taper down from like 18% odd to about 10% - 11% now. What is the outlook on rental renewals because in the past we have seen that the renewals happening at significant premium are legacy rentals, do you see that continuing or that premium has kind of shrunk now?

Shishir Shrivastava: So, even in a stable mall, let's say in a mature mall if consumption is growing at 15% - 17% that is a reasonably good number. And I must also mention here that we have recently concluded the renewable at Pune and we are seeing the same trend in Bangalore where the minimum guarantee rents are moving up close to what was being derived as revenue share or much higher. So we do not see any reason why this will be any different going forward. A major chunk has happened in Pune already, a major chunk has happened in Bangalore, a major chunk will happen in Mumbai and Chennai in the next year, this year and the next. So I do not see any reason why for a premium or a well performing mall asset this trend will not continue.

Kunal Lakhan: Okay, let me just ask this question a little differently. Can we move the minimum guarantee closer to revenue share when it will renew?

Shishir Shrivastava: Yes.

Kunal Lakhan: Revenue share is again dependent on consumption growth, so if the consumption growth itself has slowed down, would not rental renewals happen at a slightly low… I mean, considering our history wouldn't the premium that we are charging or the renewable that are happening would be slightly lower than what they have happened earlier?

Shishir Shrivastava: So, when you look at consumption growth there are several reasons why as a center the consumption growth may have gone down, or may not have grown in double-digits. That is because there are several areas, as I explained earlier, that are more under fit out and not generating any consumption, not generating any sales. But what one must look at is the trading density of the operating source which are at an all time high. So if you look at the trading density of our centers, let's look at Bangalore for example, the trading density in this quarter of second quarter FY2017 is 1375 per square foot per month, which is considerably high. If you look at Chennai, we have crossed Rs. 1600, if you look at Pune we have been up 14%, we are at 1225 and it is only moving up. Phoenix Market City at Mumbai of course is lower than the others but it is still higher, it has grown at around 11% - 12% from last year. So the true measure of whether there is consumption or whether there is sales is not a consumption growth but the trading density, because consumption gets impacted by the occupancy factor. Consumption for the center will get impacted when you have stores under fit out and not operating.

Kunal Lakhan: Any color on the launch timeline for Bangalore East launch?

Shishir Shrivastava: Bangalore East?

Kunal Lakhan: Yes.

Shishir Shrivastava: Actually we do not want to launch in the current market where things are looking a little stressed for any business in that market. So we are waiting for the right time and we are also evaluating what is the best marketing strategy, what is the best positioning that we want to keep there. So we are no rush to launch that.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand over the floor to Mr. Shishir Shrivastava for his closing comments. Over to you, sir.

Shishir Shrivastava: Thank you, Ladies and Gentlemen for participating in the Phoenix Mills Conference Call. We look forward to speaking with you next quarter again.

Moderator: Thank you very much. Ladies and gentlemen with this we conclude today’s conference call. Thank you for joining us and you may now disconnect your lines.