Press Cuttings

The Economic Times, Front Page
Mumbai Edition
Thursday, August 09, 2007

Foreign PEs go shopping at Phoenix

MUKESH

Clutch Of Funds Buys 24% Stake For Rs 1,300 Crore

Rajesh Unnikrishnan
MUMBAI

PHOENIX Mills, which pioneered the mill-to-mall revolution, is getting a foreign flavour. Rising real estate prices and the retail boom have transformed the prospects of the once-defunct mill, which runs High Street Phoenix in the Mumbai heartland. Leading private equity funds like Barclays Capital, Citigroup, HSBC Financial and DB Fund Mauritius, along with a host of overseas real estate funds — Alpine Capital and Bluerich Fund — have collectively acquired a 24% stake in Atul Ruia-promoted Phoenix Mills for Rs 1,300 crore.

The funds have picked up equity through a mix of preferential allotment and qualified institutional placement (QIP). Six funds including Barclays Capital, Citigroup, HSBC Financial, DB Fund Mauritius, Rhodes Diversified, DWS Invest Bric Plus and Americorp Ventures acquired 7% stake in Phoenix Mills for Rs 330 crore through preferential allotment while the real estate funds and other private equity funds picked up 18% for Rs 980 crore.

Riding on the success of 'High Street Phoenix' in Mumbai, the company has floated a new retail model — Market Cities.

Market Cities are already present in Bangalore, Chennai, Pune and Mumbai while five more are coming up.

▶ More Market Cities: P 19

Phoenix lines up more Market Cities

▶ From Page 1

"A LARGE part of the funds raised through the placement will be used to fund Market Cities, a new retail model, which we are currently developing. We will also invest another Rs 350 crore in Atlas Hospitality, our hospitality business subsidiary which holds the hotel business in the Market Cities across the country," said Phoenix Mills' director Atul Ruia. Currently, Phoenix Mills holds 75% stake in Atlas Hospitality while the remaining is with the promoters.

Market City is a city-centric concept developed by Phoenix. These are large-sized mixed format retail developments of approximately 2 million sq ft. Phoenix intends to set up about 10 Market Cities across metros and relatively smaller retail format developments of about 1 million sq ft in tier II cities across India.

"Market Cities are a retail-led mixed use development. It is a concept of a 'city within city'. A typical Market City will have components like hypermarkets, home stores, 7-8 departmental stores, entertainment, hotels, mall, commercial space and service apartment. Market City projects are coming up as city-centric land parcels between 15 and 25 acres," Mr Ruia said.

Apart from the five upcoming projects, the company has also identified Kolkata, Thane, Nagpur, Hyderabad and Pune as the new ideal destinations for Market Cities. JM Financial, IL&FS Investsmart, Collins Stewart Inga and Edelweiss Capital advised Phoenix Mills on the PE deal.

Post-acquisition, the promoters hold 62% stake in Phoenix Mills. Phoenix also merged its subsidiary, Ashok Ruia Enterprises, with itself.

High Street Phoenix is a shopping complex with several outlets such as Big Bazaar, Wills Lifestyle, Pantaloon, etc. The place is also known for its popular entertainment zones, bowling alleys and restaurants.

rajesh.unnikrishnan@timesgroup.com

Press Cuttings

Business Standard
Mumbai Edition
Wednesday, October 10, 2007

Sebi to ease QIP norms by month-end

BS REPORTER
Mumbai, 9 October

Securities and Exchange Board of India (Sebi), the capital markets regulator, has decided to ease rules for qualified institutional placements (QIPs) to facilitate companies mobilising resources in a much faster and cost-efficient manner.

The primary market advisory committee of Sebi, at a meeting on Monday, cleared a package of proposals to ease issuances of QIPs. The new rules are expected to come into effect by the end of the month after the board formally approves the proposals, Sebi Chairman M Damodaran said.

QIPs allow companies to raise funds by selling shares to qualified institutional buyers (QIBs or institutional investors). This instrument was introduced last year to discourage companies from tapping the global depository receipts (GDR) market as they were resulting in gradual export of domestic markets.

M DAMODARAN
Sebi Chairman

"Sebi is likely to scrap the entry load for open-ended mutual funds if investors apply directly to the fund houses or put in online applications"

Since its introduction, a total of 36 companies including IDFC, UTI Bank (now Axis Bank), GVK Power, Max India, Punj Lloyd and Phoenix Mills raised nearly Rs 14,000 crore ($3.6 billion) through QIPs.

Recently, Sebi also allowed companies having a good track record and very familiar with investors to raise funds through rights and follow-on issues in a fast track manner without getting documents vetted, Damodaran said at a Ficci seminar here on Tuesday.

In the first phase, about 30 companies would qualify for the fast track issuance for rights and FPOs, the Sebi chief said. This is a first-of-its-kind procedure for any emerging market and only the second country (after US) to have a file-and-raise money plan.

The fast-track issuance for rights and FPOs is largely based on the well-known seasoned issuers (WKSIs) model followed by the Securities and Exchange Commission of the US. Damodaran said Sebi was in the process of introducing more products aimed at sophisticated investors.

The expert committee on derivatives products, headed by Prof M R Rao, Dean of Indian School of Business, Hyderabad, will submit its recommendations soon.

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Press Cuttings

DNA Money
Mumbai Edition
Friday, August 3, 2007

Phoenix Mills betting the farm with QIP

Proceeds to be used for acquiring hotel operator Atlas Hospitality

Dan Slater
Hong Kong

Phoenix Mills has raised an amount equivalent to almost 40% of its market capitalisation by issuing $246 million of new shares in a qualified institutional placement (QIP), with the proceeds going to fund an acquisition.

The target is unlisted Atlas Hospitality, a hotel operator with projects in Mumbai, Chennai, Pune and Agra.

The acquisition follows a merger of Phoenix Mills with Ashok Ruia Enterprises, approved in March this year, but not yet finalised.

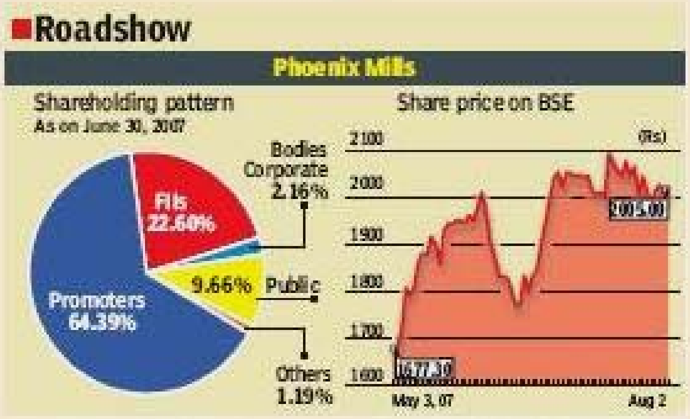
Following Wednesday's deal, the company's family shareholder saw its stake drop from 74.8% with a freefloat of 25.2%, to 50.3% with a freefloat of 49.7%.

The deal will help take the company a step further from its previous status as a textile mill with a history dating back to the 1880s, to a modern retail and real-estate player.

The company relies on one mall, High Street Phoenix in Mumbai, for over 90% of its income - so diversifying through M&A makes sense. High Street Phoenix is one of the city's most modern malls.

When phases two and three are finished, it will feature a seven-screen multiplex cinema, hotel, car park, fashion retailers and office space. The hotel will be run by the Shangri-La group.

The QIP proceeds will be used for the acquisition of three million shares in Atlas Hospitality, other real estate projects, and working capital. The acquisition cost for Atlas is reportedly some $87 million for three million shares, representing a stake of 75% in the target company.



Bold moves

Phoenix Mills has raised almost 40% of its market cap via new shares

It will buy three million shares in Atlas Hospitality, other real estate projects and working capital

The acquisition cost for Atlas is reportedly some $87 million for three million shares

If the acquisition goes though, the family's stake in the combined entity will amount to 65.5%.

A QIP is a mechanism set up one year ago by the domestic regulators which permits a company to seek investment from both foreign and domestic investors, but with the number of accounts not exceeding 49. Given the closed nature of the country's capital markets, this is an important channel for listed companies in India to raise funds internationally.

Investors who bought into this deal were predominantly based in Hong Kong and Singapore and were happy to exploit both the plays Phoenix Mills offers: Indian real estate and retail. "It reflects well on the company that this kind of deal can go through, despite the turmoil in the markets recently," says one source. The deal was reportedly upsized from $200 million.

Equity was chosen because a debt issue, given the size of the deal to the company's market cap (roughly $680 million), would have been "a bit ambitious".

Indeed, the company made a profit of just $9 million (after tax) in the financial year to March 31, 2007. However, investments have been heavy in the period.

As is usually the case in private placements, the road show was little more than a formality, and lasted just two days. The deal priced on Wednesday morning at Rs 2,000 ($47.6), the top end of the Rs 1,900-Rs 2,000 range. The securities regulator pricing guidelines set a floor of Rs 1,588.

The final price of Rs 2,000 represents a 1.3% discount to the share price when the deal was done on Wednesday morning.

Phoenix Mills' stock price has gained 63% year-to-date but finished Wednesday down 1.2% at Rs2,002. The Sensex index crashed 615 points, almost 4%, to 14,935.

Joint global coordinators and bookrunners were JM Financial (in association with Morgan Stanley India), IL&FS Investsmart, Collins Stewart Inga and Edelweiss Capital.

—www.financeasia.com

Press Cuttings

The Financial Express
Mumbai Edition
Saturday, October 20, 2007

Phoenix Mills to infuse Rs 350 cr into Atlas Hospitality

Mona Mehta
Mumbai, Oct 19

Phoenix Mills Ltd - pioneers in large multi-use developments - is infusing fresh capital of Rs 350 crore into Ruias-owned Atlas Hospitality for future hospitality projects. "The aim is to develop 8 to 10 budget hotels, 5 premier luxury resort hotels and four to five star business hotels in India." Shishir Shrivastava, CEO – hospitality and new initiatives, Market City Resources (a fully owned subsidiary of Phoenix Mills Ltd) told *FE*.

Mahesh Iyer, chief financial officer, Phoenix Mills Ltd said, "Over the next four to six months, we are looking at a private equity transaction in Atlas Hospitality by divesting 10% to 15% to fetch Rs 500 crore. This would mean raising a total of Rs 850 crore for Atlas and 1:1 debt, resulting in infusing a total of Rs 2,000 crore. The aim is to be an operator of hotels rather than just a hotel asset owning company." Atlas Hospitality currently has five hotel companies participating into funding equities. On Atlas' new hotel development plans, Shrivastava explained, "The first vertical will include setting up business hotels in Hyderabad and Jaipur. Atlas Hospitality would look at setting up premier luxury resort hotels in Agra, Udaipur, Banaras in the second vertical, mainly targeted at tourist destinations. Finally, the third vertical would include developing three and four star budget hotels in Tier II cities such as Ludhiana, Indore and Raipur among others."

Atlas Hospitality currently holds the hotel business in the 'Market Cities' – a new retail model developed by Phoenix Mills Ltd - across the country. Phoenix Mills expects Atlas Hospitality to attain a market cap of $3 bn in the next three to five years, summed up Iyer.

"The aim is to develop 8 to 10 budget hotels, 5 premier luxury resort hotels and four to five star business hotels in India"

Shishir Shrivastava
CEO – hospitality and new initiatives

Press Cuttings

The Economic Times, Page 8
Delhi Edition
Thursday, August 09, 2007

PE funds pick 24% in Phoenix Mills for Rs 1,300 crore

Rajesh Unnikrishnan
MUMBAI

LEADING private equity funds such as Barclays Capital, Citigroup, HSBC Financial, DB Fund Mauritius along with a host of overseas real estate funds such as Alpine Capital, and Bluerich Fund have collectively acquired a 24% stake in Atul Ruia-promoted Phoenix Mills for Rs 1,300 crore.

Phoenix Mills, a defunct textile mill area in Central Mumbai is a huge shopping complex with several malls such as Big Bazaar, Wills Lifestyle, Pantaloon and Home Store. The place is also known for its popular entertainment zones, bowling alleys, and restaurants.

The funds have picked up equity in Phoenix Mills through a mix of preferential allotment and qualified institutional placement (QIP). Six funds such as Barclays Capital, Citigroup, HSBC Financial, DB Fund Mauritius, Rhodes Diversified, DWS Invest Bric Plus and Americorp Ventures acquired 7% stake in Phoenix Mills for Rs 330 crore through preferential allotment while the real estate funds and other private equity funds picked up 18% stake in the company Rs 980 crore. JM Financial, IL&FS Investsmart, Collins Stewart Inga and Edelweiss Capital advised Phoenix Mills on the deal. Post acquisition the promoters hold 62% stake in Phoenix Mills. Phoenix also merged its subsidiary Ashok Ruia Enterprises with itself.

TURNAROUND

Phoenix Mills, a defunct textile mill area in Central Mumbai, is a huge shopping complex with several malls such as Big Bazaar, Wills Lifestyle and Pantaloon

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Riding on the success of High Street Phoenix in Mumbai, the company has floated a new retail model—Market Cities. Currently, in four Indian cities, Bangalore, Chennai, Pune and Mumbai, there are five Market Cities are coming up. Market City is a city-centric concept developed by Phoenix which are large sized mixed format retail developments of approximately two million sq.ft. Phoenix intends to set up about 10 market cities across metros and relatively smaller retail format developments of about one million square feet in tire II cities across India. A retail led mixed used development typically is a mall built on a large tracts of land and includes residential, commercial and hotel developments.

"Market Cities are a retail-led mixed use development. Its a concept of a -city within the city. A typical Market City will have components like hyper markets, home stores, 7 to 8 departmental stores, entertainment, hotels, mall, commercial space and service apartment. Market City project are coming up city centric land parcels between 15 to 25 acres." Mr Ruia said.

Press Cuttings

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