

Phoenix Mills

Estimate change	↔
TP change	↑
Rating change	↔

CMP: INR2,565 TP: 2,245 (-12%) Neutral

Strong growth aided by new malls

Beat on revenue; EBITDA/PAT in line

- Phoenix Mills (PHNX) reported a revenue of INR9.8b, up 44% YoY/13% QoQ (6% ahead of our estimate), driven by the contribution from four new malls totaling 4msf. Revenue for 9MFY24 stood at INR26.7b, up 40% YoY.
- In line with revenue growth, EBITDA grew 44% YoY to INR5.5b (in line). EBITDA margins remained flat YoY at 56%, down 250bp QoQ. PAT came in at INR2.8b, up 58% YoY (in line).
- PHNX generated OCF (post interest) of INR5.4b and incurred a capex of INR7b. It has a gross debt of INR43b (flat QoQ), while net debt (PHNX share) increased by INR1b QoQ to INR16b.

Rental growth surpasses consumption growth

- Consumption across PHNX's mall portfolio was up 25% YoY in 3QFY24 at INR33b and up 21% in 9MFY24 at INR85b. On the like-for-like basis, consumption grew by 5% in 3QFY24.
- Retail rental income increased by 33% YoY to INR4.4b, while EBITDA rose 27% YoY to INR4.3b, with a margin of 71%.
- In Oct'23, PHNX opened a new mall in Hebbal, Bengaluru (Mall of Asia). Its Phoenix Grand Victoria in Kolkata and Surat Mall are now expected to commence operations by the beginning of FY28. Aided by densification of existing malls, LfL consumption growth, and rent escalations, we expect PHNX to report a 14% CAGR in rental income over FY24-26.

Strong show in hotel segment; office rentals to scale up in FY25

- Occupancy remained steady QoQ at 82% for St. Regis and increased to 84% for Marriott Agra (vs. 72% in 3QFY23). St. Regis reported the highest-ever ARR of INR20,111, up 23% YoY. Agra hotel witnessed 10% YoY growth in ARR to INR6,194.
- Total income for the hospitality segment increased by 24% YoY to INR1.5b and EBITDA was up 28% at INR0.7b, driven by a sharp improvement in the performance of Agra hotel, which reported a margin of 37% (vs. average of 13% in 9MFY24). St. Regis clocked a margin of 46% vs. 43% in 1HFY24.
- Commercial performance** – PHNX reported 0.1msf of net leasing in 3QFY24, taking the occupancy to 71%. Total income in 3QFY24 stood at INR500m, up 17% YoY, and EBITDA was up 27% YoY at INR280m.
- Upcoming assets** – PHNX will deliver the first phase of the office component at new malls in Pune and Bengaluru, along with the new office block in Chennai, in CY24. This will be followed by a subsequent phase in Pune in CY25. Thus we expect rental income for its office portfolio to increase at a CAGR of 57% to INR4b through FY26.

Bloomberg	PHNX IN
Equity Shares (m)	179
M.Cap.(INRb)/(USD\$)	458.2 / 5.5
52-Week Range (INR)	2836 / 1186
1, 6, 12 Rel. Per (%)	3/38/68
12M Avg Val (INR M)	626

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	36.2	40.3	47.6
EBITDA	21.2	25.6	31.8
EBITDA (%)	58.8	63.6	66.8
PAT	10.6	12.9	17.9
EPS (INR)	59.4	72.4	100.1
EPS Gr. (%)	45.2	21.9	38.4
BV/Sh. (INR)	526.1	595.4	692.5

Ratios

Net D/E	0.3	0.1	-0.1
RoE (%)	11.9	12.9	15.5
RoCE (%)	12.2	12.7	15.2
Payout (%)	4.5	4.1	3.0

Valuations

P/E (x)	43.2	35.4	25.6
P/BV (x)	4.9	4.3	3.7
EV/EBITDA (x)	22.9	18.3	14.1
Div Yield (%)	0.1	0.1	0.1

Shareholding pattern (%)

As on	Dec-23	Sep-23	Dec-22
Promoter (%)	47.3	47.3	47.3
DII (%)	17.7	18.5	19.0
FII (%)	30.8	30.0	29.3
Others (%)	4.2	4.2	4.4

Highlights from the management commentary

- **Guidance:** Trading increased across all major malls and reached the all-time high level in 3QFY24. As it further inches up in new malls, the management remains confident of achieving consumption of INR112-INR115b in FY24.
- **Retail growth:** The growth beyond FY25 will be driven by incremental area addition through the densification of existing malls in Mumbai (Palladium) and Bengaluru and new retail space in Project Rise at Palladium, Mumbai.
- **Expansion:** The management plans to close 4-5 new deals over the next 24 months and hence a significant share of surplus cash generated during this period will be utilized for land acquisition.

Valuation and view

- PHNX delivered strong revenue growth, led by a better-than-expected performance in the retail segment. We revisited our rental and occupancy assumptions, leading to marginal increase in FY24E PAT.
- We believe the company's growth trajectory remains intact, but the current valuations indicate that near-term growth is priced in. We reduce the blended cap rate by 25bp to 7% (implying a multiple of 14x) and roll forward our valuations to Mar'26E. Reiterate our Neutral rating on the stock with a revised TP of INR2,245, implying 12% downside.

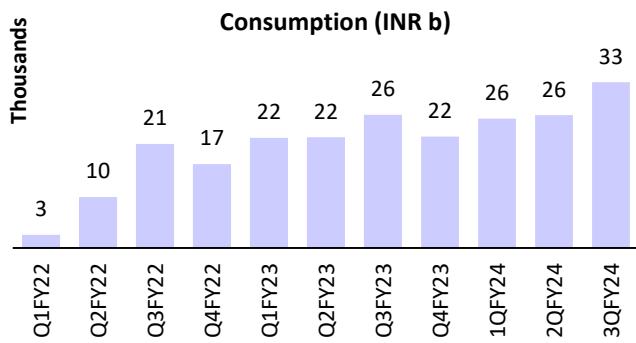
Financial Performance

Y/E March	FY23				FY24				FY23	FY24E	FY24E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Gross Sales	5,744	6,511	6,838	7,290	8,106	8,750	9,861	9,434	26,383	36,151	9,296	6%
YoY Change (%)	188.2	79.0	60.9	47.2	41.1	34.4	44.2	29.4	77.8	37.0	35.9	
Total Expenditure	2,515	2,702	2,994	2,983	3,183	3,612	4,343	3,771	11,194	14,909	3,620	
EBITDA	3,229	3,809	3,845	4,307	4,923	5,138	5,518	5,663	15,189	21,242	5,677	-3%
Margins (%)	56.2	58.5	56.2	59.1	60.7	58.7	56.0	60.0	57.6	58.8	61.1	-510bps
Depreciation	500	559	569	650	630	659	656	772	2,278	2,717	900	
Interest	741	834	866	971	957	965	1,042	1,092	3,412	4,055	943	
Other Income	235	324	347	257	290	316	343	317	1,163	1,266	315	
PBT before EO expense	2,223	2,739	2,757	2,943	3,627	3,830	4,163	4,115	10,663	15,736	4,149	
Extra-Ord expense	5,568	0	0	484	0	-78	0	0	6,052	0	0	
PBT	7,791	2,739	2,757	3,428	3,627	3,752	4,163	4,115	16,714	15,736	4,149	0%
Tax	341	520	633	496	730	714	724	744	1,989	2,911	788	
Rate (%)	15.3	19.0	23.0	16.8	20.1	18.6	17.4	18.1	18.7	18.5	19.0	
MI & P/L of Asso. Cos.	263	361	360	391	492	512	646	576	1,375	2,226	602	7%
Reported PAT	7,187	1,858	1,764	2,541	2,405	2,526	2,793	2,796	13,350	10,599	2,759	1%
Adj PAT	1,619	1,858	1,764	2,057	2,405	2,604	2,793	2,796	7,298	10,599	2,759	1%
YoY Change (%)	-765.7	220.3	78.3	96.3	48.5	40.1	58.3	36.0	121.3	1,809.2	56.4	
Margins (%)	28.2	28.5	25.8	28.2	29.7	29.8	28.3	29.6	27.7	29.3	29.7	

Source: Company, MOSL

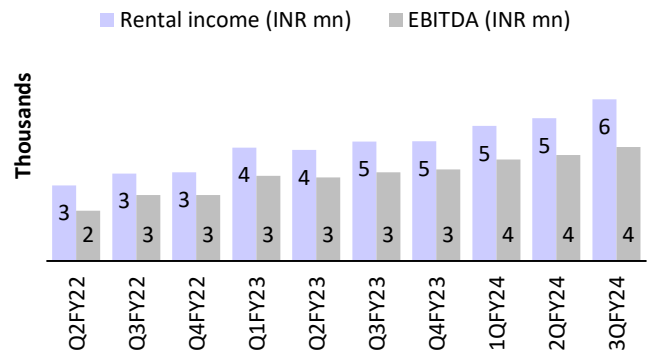
Key exhibits

Exhibit 1: Consumption across malls increased 25% YoY, aided by commencement of new malls



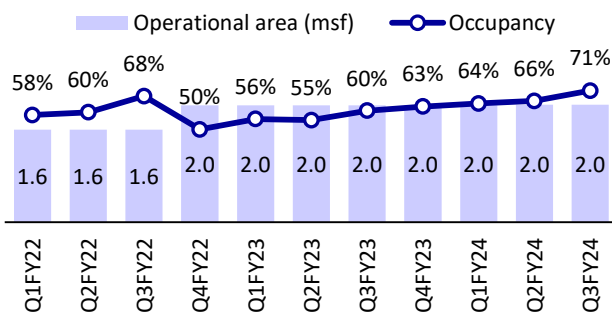
Source: Company, MOFSL

Exhibit 2: Rental Income/EBITDA grew by 44% YoY



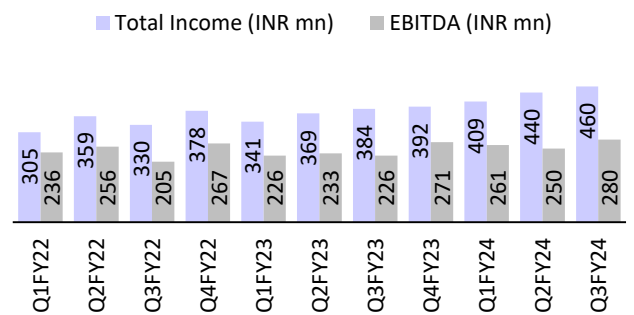
Source: Company, MOFSL

Exhibit 3: Office portfolio saw steady rise in occupancy...



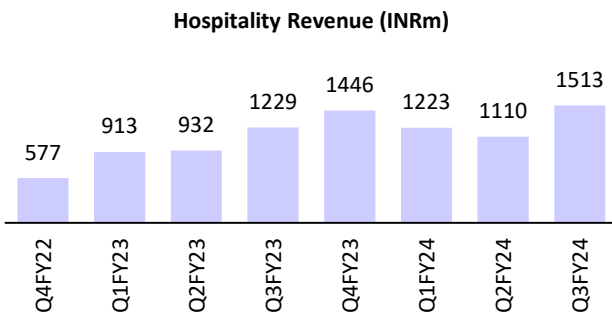
Source: MOFSL, Company

Exhibit 4: ...and rental income tracked similar trend



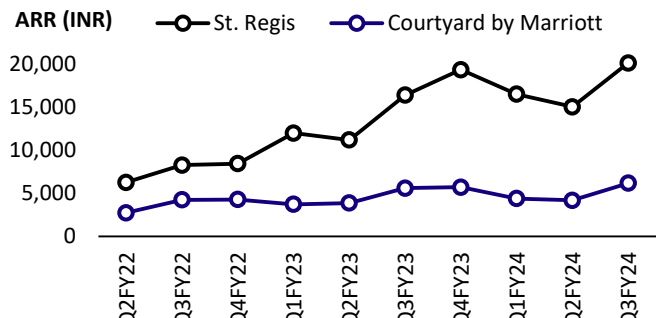
Source: MOFSL, Company

Exhibit 5: Hospitality revenue was up 24% YoY



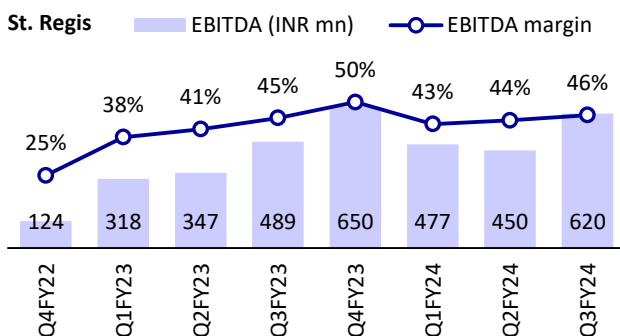
Source: Company, MOFSL

Exhibit 6: ARR at St. Regis was 23% higher than in 3QFY23



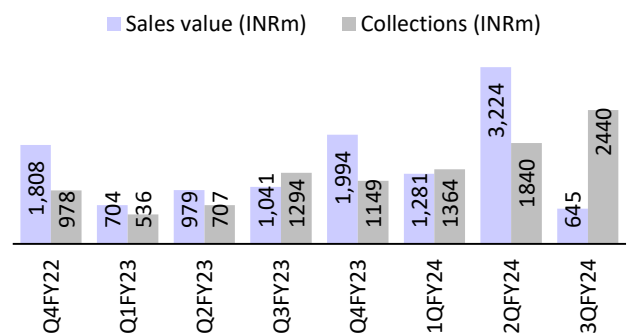
Source: Company, MOFSL

Exhibit 7: Flagship hotel generated EBITDA of INR620m



Source: MOFSL, Company

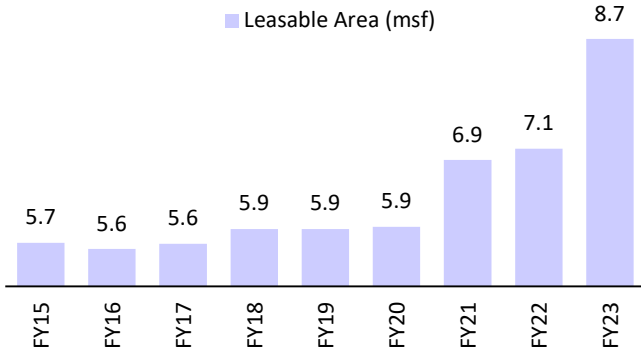
Exhibit 8: Post strong 2Q, sales moderated in residential segment



Source: MOFSL, Company

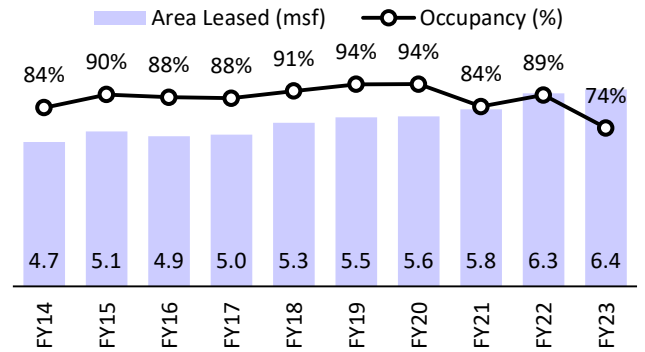
Story in charts

Exhibit 9: PHNX has scaled up its leasable portfolio to ~9msf



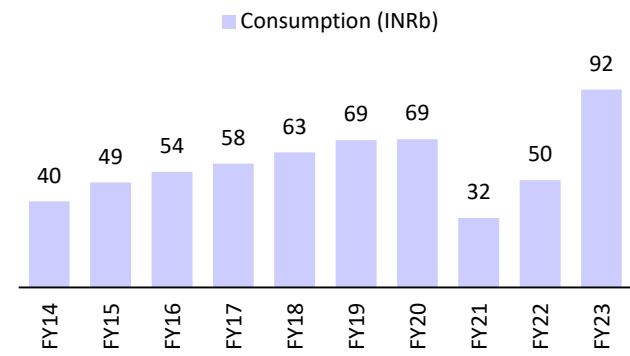
Source: Company, MOFSL

Exhibit 10: Occupancy reduced due to completion of new malls



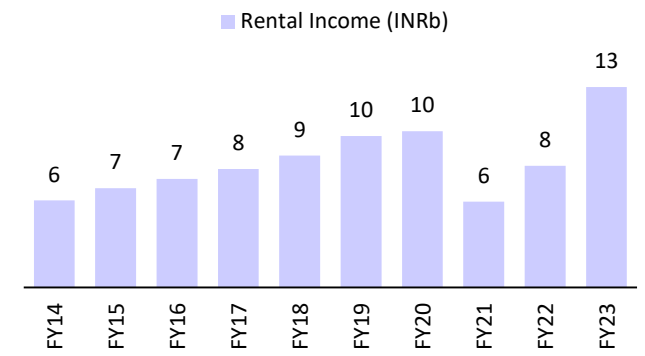
Source: Company, MOFSL

Exhibit 11: Consumption saw 9% CAGR over FY14-20



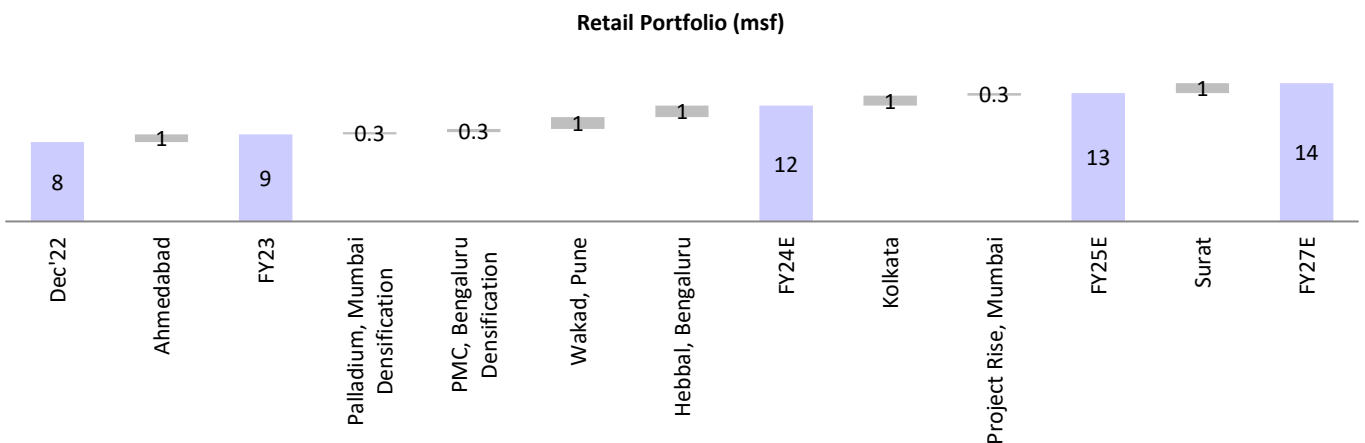
Source: MOFSL, Company

Exhibit 12: Rental income tracked consumption growth



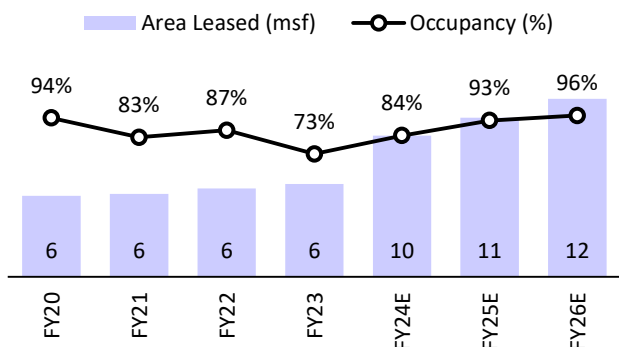
Source: MOFSL, Company

Exhibit 13: Retail portfolio to increase to 14msf by FY27



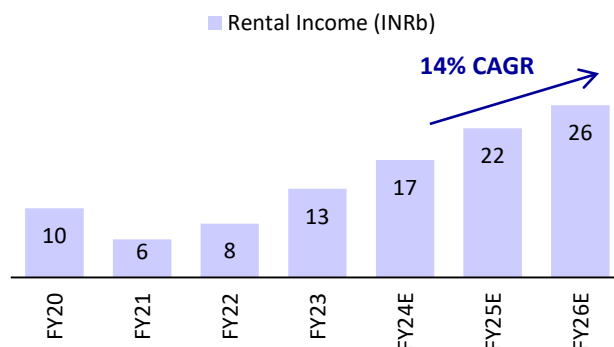
Source: MOFSL, Company

Exhibit 14: Occupancy expected to inch up toward 96%



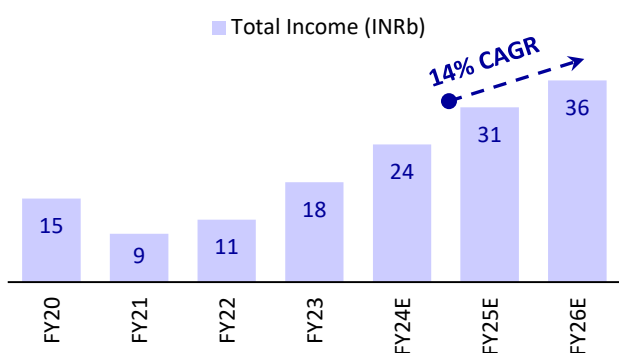
Source: MOFSL, Company

Exhibit 15: Rental income of retail portfolio to report 14% CAGR over FY24-26



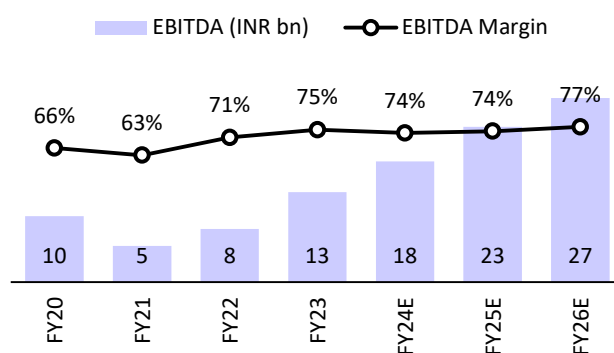
Source: MOFSL, Company

Exhibit 16: Expect PHNX's total income to register 14% CAGR over FY24-26



Source: MOFSL, Company

Exhibit 17: Retail EBITDA to grow to INR27b by FY26



Source: MOFSL, Company

Exhibit 18: Revised estimates

(INR b)	Old		New		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	35	41	36	40	3%	-1%
EBITDA	21	25	21	26	0%	1%
Adj. PAT	10	13	11	13	3%	1%

Source: Company, MOFSL

Valuation and view

We value PHNX based on SoTP valuation:

- **Operational retail assets** are valued using a cap rate of 6.75% for Palladium malls and 7% for Market City malls on Mar'26E EBITDA. **Ongoing retail assets** are valued using DCF with a terminal value applied to the stabilized EBITDA run rate of respective assets and discounting back to Mar'26E.
- **Operational boutique offices** are valued at a cap rate of 9% and upcoming office assets are valued using DCF and a cap rate of 8%.
- **Hospitality business** is valued using 12-15x EV/EBITDA multiple on Mar'26E. We have not assigned any value to its upcoming Grand Hyatt hotel in Bengaluru.
- **Residential business** is valued at NPV, with WACC of 11%.

Based on the above SoTP approach, we arrive at a gross asset value of INR413b. Net of FY24E net debt of INR12b, we derive an NAV of INR401b or INR2,245 per share, indicating an downside potential of 12%.

Exhibit 19: Our SoTP-based TP of INR2,245 indicates an downside potential of 12%

Nav Calculation	Rationale	INR b	per share (INR)	%
Retail - Operational	❖ Mar'26E EBITDA discounted at cap rate of 6.75-7%	248	1,444	64%
Retail - Ongoing	❖ Steady state EBITDA at a cap rate of 6.75-7% discounted back to Mar'26 using WACC of 11%	69	402	18%
Total Retail		317	1,846	82%
Office - Operational	❖ Mar'26E EBITDA discounted at cap rate of 8-9%	18	103	5%
Office - Ongoing	❖ Steady state EBITDA at a cap rate of 8% discounted back to Mar'25 using WACC of 11%	31	181	8%
Total Office		49	284	13%
Hospitality	❖ EV/EBITDA multiple of 12-15x on Mar'26E EBITDA	30	175	8%
Residential	❖ NPV at WACC of 11%	17	100	4%
Gross Asset Value		413	2,405	107%
Less: Net Debt		(12)	(72)	-3%
Net Asset Value		401	2,245	100%
CMP			2,565	
Up/down			-12%	

Source: MOFSL

Financials and Valuation

Consolidated - Income Statement

(INR M)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	19,411	10,450	14,835	26,383	36,151	40,319	47,574
Change (%)	-2.0	-46.2	42.0	77.8	37.0	11.5	18.0
Cost of Materials/Construction	1,959	769	1,030	1,489	2,892	3,226	3,806
Employees Cost	1,655	1,125	1,569	2,325	3,073	3,427	4,044
Other Expenses	6,126	3,614	4,896	7,381	8,944	8,021	7,952
Total Expenditure	9,740	5,508	7,496	11,194	14,909	14,674	15,801
% of Sales	50.2	52.7	50.5	42.4	41.2	36.4	33.2
EBITDA	9,671	4,942	7,339	15,189	21,242	25,645	31,773
Margin (%)	49.8	47.3	49.5	57.6	58.8	63.6	66.8
Depreciation	2,076	2,094	1,859	2,278	2,717	3,562	3,746
EBIT	7,595	2,848	5,481	12,911	18,525	22,083	28,027
Int. and Finance Charges	3,478	3,478	2,945	3,412	4,055	3,508	3,071
Other Income	585	923	744	1,163	1,266	1,711	2,455
PBT bef. EO Exp.	4,702	292	3,280	10,663	15,736	20,286	27,412
EO Items	78	0	0	6,052	0	0	0
PBT after EO Exp.	4,780	292	3,280	16,714	15,736	20,286	27,412
Total Tax	1,221	-47	801	1,989	2,911	5,096	6,886
Tax Rate (%)	25.4	-16.0	24.4	18.7	18.5	25.1	25.1
Share of associate	-538	138	202	51	398	675	707
Minority Interest	-326	-99	308	1,426	2,624	2,947	3,361
Reported PAT	3,347	576	2,374	13,350	10,599	12,918	17,872
Adjusted PAT	3,297	576	2,374	7,298	10,599	12,918	17,872
Change (%)	-13.7	-82.5	311.8	207.5	45.2	21.9	38.4
Margin (%)	17.0	5.5	16.0	27.7	29.3	32.0	37.6

Consolidated - Balance Sheet

(INR M)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	307	344	357	357	357	357	357
Total Reserves	38,268	50,044	65,468	83,440	93,557	1,05,939	1,23,276
Net Worth	38,575	50,388	65,825	83,797	93,914	1,06,296	1,23,633
Minority Interest	10,660	11,014	24,288	26,963	35,906	42,663	48,792
Total Loans	43,084	40,626	39,821	42,593	45,093	35,093	35,093
Deferred Tax Liabilities	-585	-1,215	-1,209	1,238	1,238	1,238	1,238
Capital Employed	91,734	1,00,812	1,28,725	1,54,591	1,76,151	1,85,290	2,08,755
Gross Block	75,124	84,595	89,428	1,23,156	1,48,556	1,61,206	1,64,556
Less: Accum. Deprn.	14,309	15,582	17,409	19,687	22,404	25,967	29,713
Net Fixed Assets	60,815	69,013	72,019	1,03,468	1,26,151	1,35,239	1,34,843
Goodwill on Consolidation	3,058	3,058	3,058	6,176	6,176	6,176	6,176
Capital WIP	15,343	12,740	20,486	22,947	11,109	6,234	8,534
Total Investments	5,913	5,756	23,173	12,823	13,221	13,896	14,603
Curr. Assets, Loans&Adv.	19,096	22,110	23,354	28,843	45,650	50,580	76,015
Inventory	8,161	7,682	7,498	12,117	11,233	10,051	10,823
Account Receivables	2,058	3,237	2,799	2,382	4,457	4,419	5,214
Cash and Bank Balance	1,407	5,139	5,926	6,302	17,307	24,015	45,706
Loans and Advances	7,470	6,053	7,131	8,041	12,653	12,096	14,272
Curr. Liability & Prov.	12,490	11,865	13,366	19,665	26,156	26,835	31,415
Account Payables	1,101	950	1,299	1,585	2,451	2,412	2,597
Other Current Liabilities	10,628	9,580	10,499	16,251	19,883	20,160	23,787
Provisions	761	1,335	1,568	1,829	3,822	4,263	5,030
Net Current Assets	6,606	10,245	9,988	9,178	19,494	23,745	44,600
Appl. of Funds	91,735	1,00,812	1,28,725	1,54,592	1,76,151	1,85,290	2,08,756

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)							
EPS	21.5	3.4	13.3	40.9	59.4	72.4	100.1
Cash EPS	35.0	15.5	23.7	53.6	74.6	92.3	121.1
BV/Share	251.4	293.2	368.7	469.4	526.1	595.4	692.5
DPS	3.3	0.0	1.0	2.4	2.7	3.0	3.0
Payout (%)	16.6	0.0	7.2	3.2	4.5	4.1	3.0
Valuation (x)							
P/E	96.2	616.7	155.5	50.6	43.2	35.4	25.6
Cash P/E	59.1	133.1	87.2	38.5	34.4	27.8	21.2
P/BV	8.2	7.1	5.6	4.4	4.9	4.3	3.7
EV/Sales	18.5	37.4	27.2	15.4	13.4	11.6	9.4
EV/EBITDA	37.1	79.1	54.9	26.7	22.9	18.3	14.1
Dividend Yield (%)	0.2	0.0	0.0	0.1	0.1	0.1	0.1
Return Ratios (%)							
RoE	9.0	1.3	4.1	9.8	11.9	12.9	15.5
RoCE	7.7	5.1	4.8	9.9	12.2	12.7	15.2
RoIC	8.2	4.5	5.3	11.0	12.2	12.0	14.9
Working Capital Ratios							
Asset Turnover (x)	0.2	0.1	0.1	0.2	0.2	0.2	0.2
Inventory (Days)	153	268	184	168	113	91	83
Debtor (Days)	39	113	69	33	45	40	40
Creditor (Days)	21	33	32	22	25	22	20
Leverage Ratio (x)							
Interest Cover Ratio	2.2	0.8	1.9	3.8	4.6	6.3	9.1
Net Debt/Equity	1.1	0.7	0.5	0.4	0.3	0.1	-0.1

Consolidated - Cash Flow Statement

(INR M)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	4,702	292	3,280	16,714	15,736	20,286	27,412
Depreciation	2,076	2,094	1,859	2,278	2,717	3,562	3,746
Interest & Finance Charges	3,478	3,478	2,945	2,249	2,789	1,797	615
Direct Taxes Paid	-1,082	124	-577	-1,989	-2,911	-5,096	-6,886
(Inc)/Dec in WC	-1,422	-974	713	1,187	689	2,456	836
CF from Operations	7,752	5,015	8,220	20,439	19,020	23,006	25,723
Others	-366	-696	-414	-6,052	0	0	0
CF from Operating incl EO	7,386	4,319	7,806	14,387	19,020	23,006	25,723
(Inc)/Dec in FA	-7,417	-6,903	-12,271	-13,138	-13,563	-7,775	-5,650
Free Cash Flow	-30	-2,583	-4,465	1,249	5,458	15,231	20,073
(Pur)/Sale of Investments	3,115	-3,008	-17,417	0	0	0	0
Others	684	409	1,277	1,163	1,266	1,711	2,455
CF from Investments	-3,618	-9,502	-28,412	-11,975	-12,296	-6,064	-3,195
Issue of Shares	46	10,907	96	0	0	0	0
Inc/(Dec) in Debt	647	-2,458	-805	2,772	2,500	-10,000	0
Interest Paid	-3,025	-3,680	-2,795	-3,412	-4,055	-3,508	-3,071
Dividend Paid	-556	-3	-174	-428	-482	-536	-536
Others	18	451	25,954	6,124	6,319	3,810	2,769
CF from Fin. Activity	-2,871	5,217	22,276	5,055	4,281	-10,234	-838
Inc/Dec of Cash	898	35	1,670	7,468	11,005	6,708	21,691
Opening Balance	396	1,293	1,328	2,998	10,134	21,139	27,847
Closing Balance	1,293	1,328	2,998	10,465	21,139	27,847	49,538

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Investment Rating	Expected return (over 12-month)
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UNDER REVIEW	Rating may undergo a change
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Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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