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Rentals to follow consumption boom

About the stock: Phoenix Mills (PML) is a leading retail mall developer and operator in India. It is into retail-led, mixed-use properties.

- PML has an operational retail area of ~11.5 msf, spread across 12 operational malls and plans to reach 18 msf across 17 malls by FY30.
- It has 4msf/588 keys operational commercial office/hotels and plans to reach 7msf/988 keys by FY30.

Q3FY26 performance: The Phoenix Mills reported consolidated revenues of ₹ 1121 crore (up 15% YoY, almost flat QoQ) with revenue from core business (retail, office, Hotel & Asset management) rising by 10% YoY (up 12% QoQ) at ₹ 1023 crore. Retail rental income grew 13% YoY at ₹ 573 crore while commercial office revenues were up 5% YoY at ₹ 56 crore. Further, consolidated EBITDA margins were up 184 bps YoY (down 126 bps QoQ) at 58.5% with steady core business margins at 60.5%. Overall, consolidated EBITDA was up 19% YoY at ₹ 656 crore. PAT was up 4% YoY at ₹ 276 crore impacted by ₹ 25 crore exceptional item with respect to full impairment of the company's investment in Butala Farm Lands.

Investment Rationale

- Strong consumption growth to entail higher rental income growth eventually:** PML reported 25% YoY consumption growth in Q3FY26 at ₹ 4992 crore (up 17% YoY at ₹ 12,326 crore for 9MFY26) with broad based growth across categories. Excluding three newly commissioned malls, the LTL consumption growth stood at 15% YoY. The management reiterated double-digit consumption growth guidance for FY26. PMC Pune and Bengaluru have started benefitting from occupancy churns with trading densities rising by 14% YoY and 23% YoY respectively during 9MFY26. Strong consumption growth provides an opportunity for better future rents, higher revenue share percentages and right brand pull. Additionally, its mall portfolio would be having over half of the area coming up for renewals and repricing over the next three years.
- Offices portfolio display rising occupancy during 9MFY26:** The company achieved gross leasing of ~1.2 msf during 9MFY26. The occupancy in operational assets having gross leasable area (GLA) of ~2 msf increased to 76% from 67% in Mar'25 while for recently completed offices having GLA of ~1.96 msf, the same increased to 41% from 5% in Mar'25. It also received OC for Millennium towers 1 and 2 (GLA of ~0.93 msf) in December 2025 for which it is currently at final stages of negotiations and execution of rentals. Its office portfolio has entered into rental monetisation phase and is expected to contribute meaningfully to earnings and cash flows from FY27.

Rating and Target Price

- PML remains quasi-play on domestic consumption story. We value PML at ₹ 2000 and retain BUY rating on the stock.



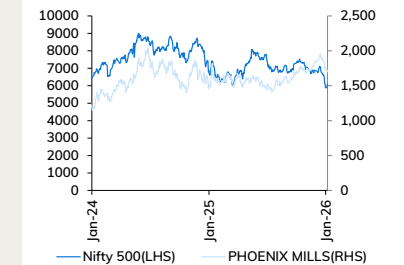
Particulars

Particular	Rs. in crore
Market Cap	60,135
Total Debt (FY25)	4,663
Cash (FY25)	512
EV	64,287
52 week H/L (Rs.)	1993 / 1402
Equity capital	72
Face value	2.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoters	47.3	47.3	47.3	47.3
FII's	36.1	36.3	33.5	33.9
DII	12.6	12.7	15.5	15.3
Others	4.0	3.7	3.8	3.6

Price Chart



Recent Event & Key risks

- Slowdown in consumption trend
- Slower commercial leasing
- Delay in execution of new projects

Research Analyst

Ronald Siyoni
ronald.siyoni@icicisecurities.com

Samarth Khandelwal
samarth.khandelwal@icicisecurities.com

Key Financial Summary

Particulars	FY23	FY24	FY25	5 Yr CAGR (FY20-25)	FY26E	FY27E	FY28E	3 Yr CAGR (FY25-28E)
Net Sales	2,638	3,978	3,814	14%	4,501	5,141	5,413	12%
EBITDA	1,519	2,177	2,161	17%	2,654	3,081	3,359	16%
EBITDA margin (%)	58	55	57		59	60	62	
Adj. Net Profit	730	1,099	997	25%	1,204	1,461	1,588	17%
Adj. EPS (₹)	87.5	76.6	36.7		44.8	53.1	57.3	
P/E (x)	22.5	27.3	61.1		48.9	41.2	37.9	
EV/EBITDA (x)	41.3	28.8	29.3		23.4	20.0	17.9	
Price / Book (x)	3.6	3.2	5.8		5.1	4.5	4.0	
RoCE (%)	8.8	11.4	10.0		11.2	11.6	11.7	
RoE (%)	8.7	11.6	9.5		10.2	11.0	10.6	

Source: Company, ICICI Direct Research

Earnings call highlights:

- **Guidance:** The management retained its double digit consumption growth guidance for FY26. Phoenix Market City Bangalore and Pune are on track to reach 90% trading occupancy by March 2026 and 95% by mid-FY27. Across the company's mall portfolio, over 50% of the area will be coming up for renewals and repricing over the next three years.
- **Retail Consumption:** Retail consumption during Q3FY26 grew by 25% YoY to ₹ 4992 crore. Mall of Asia, Bangalore saw 112% YoY growth in consumption to ₹ 732 crore. Palladium (Mumbai), Pallasio (Lucknow) and Mall of Millennium (Pune) witnessed YoY consumption growth of 22%, 22% and 25% respectively. Category-wise, Fashion & Accessories grew by 16% YoY, family entertainment and multiplexes by 19% YoY, FNB by 11% YoY, and jewellery by 39% YoY. Overall, retail rental income rose by 13% YoY to ₹ 573 crore and EBITDA by 16% YoY to ₹ 585 crore. Brand churns have resulted in improvement in trading densities at PMC Bangalore (up 23% YoY in 9MFY26) and PMC Pune (up 14% YoY in 9MFY26). Retail marketing spends declined 15%. Share of renewable energy now accounts for 30% of the retail energy requirements for common area as against 20% during Q3FY25.
- **Office business:** The commercial segment revenues were up 5% YoY at ₹ 56 crore while EBITDA was up 11% YoY at ₹ 36 crore for Q3FY26. It achieved gross leasing of 1.2 msf across Mumbai, Pune, Bengaluru and Chennai during 9MFY26. Occupancy in stabilised offices at Mumbai and Vimmanagar in Pune improved to 76% in Oct'25 from 67% in Mar'25. Occupancy at recently completed offices stands at 41%.
- **Hotel Business:** Hotels revenues was up 13% YoY at ₹ 179 crore, while EBITDA was up 20% YoY at ₹ 88 crore for Q3FY26. The St. Regis Hotel, Mumbai achieved 86% occupancy with 8% YoY growth in ARR to ₹ 24,131 and 10% YoY rise in RevPAR to ₹ 20,772 in Q3FY26. The Courtyard by Marriott, Agra reported 87% Occupancy with 4% YoY de-growth in ARR to ₹ 7180 and 1% YoY growth in RevPAR to ₹ 6249.
- **Residential Business:** The residential sales stood at ₹ 140 crore, collections at ₹ 100 crore with average realisation of ₹ 29,900 psf. It recognised revenues of ₹ 62 crore in Q3FY26 and is likely to recognise revenues of ₹ 180 crore in Q4FY26. The Kolkata project is in the final stages of approvals and design fine-tuning, with launch timeline updates expected in the next two quarters, while the Thane mixed-use development (1.3-1.5 msf retail, 0.5-1 msf office) is awaiting environmental clearance, with excavation and construction starting in two to three months.
- **Capex:** It incurred capex of Rs. 722 crore during 9MFY26.
- **Cash and Debt:** The gross debt stood at ₹ 5202 crore while its net debt stood at ~₹ 3344 crore. Its net debt to EBITDA stands at 1.3x while it has reduced overall cost of debt from 7.68% in Q2FY26 to 7.62% in Q3FY26.
- **CPP transaction:** The company made payment of tranche 1 of ₹ 1257 crore during November which has increased its stake in ISML to 58.33% from 51% earlier.
- **GST benefits:** The impact of GST cuts on pricing is considered sentimentally positive but not materially significant, affecting prices by 3-4% for categories like clothing.

Exhibit 1: Q3FY26 result snapshot (₹ crore)

	Q3FY26	Q3FY25	YoY (Chg %)	Q2FY26	QoQ (Chg %)	Comments
Income from Operations	1,121.2	975.1	15.0	1,115.4	0.5	Retail Rental Income was up 13% YoY at ₹ 573 crore. Commercial segment revenues up 5% YoY at ₹ 56 crore. Hotels revenues were up 13% YoY at ₹ 179 crore.
Other Income	47.3	30.4	55.5	30.8	53.6	
Total raw material Expenses	66.7	54.9	21.5	79.0	-15.5	
Employee cost	109.4	98.6	10.9	107.5	1.7	
Other expenditure	242.4	217.1	11.7	208.2	16.4	
EBITDA	656.3	552.8	18.7	666.9	-1.6	Core business margins remained steady at
EBITDA Margin (%)	58.5	56.7	184 bps	59.8	-126 bps	60.5%
Depreciation	86.3	81.3	6.2	91.2	-5.4	
Interest	102.3	102.9	-0.5	91.9	11.3	
PBT	490.0	415.1	18.0	514.5	-4.8	
Taxes	121.8	64.1	90.0	131.7	-7.5	
Reported PAT	275.8	264.8	4.2	304.0	-9.3	

Source: Company, ICICI Direct Research

Exhibit 2: Mall-wise consumption and rental income trend

Particulars	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Consumption (₹ crore)							
HSP & Palladium	644	540	569	582	785	22	35
PMC Mumbai	349	275	310	309	397	14	28
PMC Bangalore	530	412	443	457	585	10	28
PMC & Palladium Chennai*	399	343	382	413	466	17	13
PMC Pune	497	394	415	422	534	7	27
Phoenix Pallasio	363	282	306	298	441	21	48
Phoenix United Lucknow	64	53	58	55	70	9	27
Phoenix United Bareilly	67	60	66	57	77	15	35
Phoenix Citadel Indore	158	123	142	143	186	18	30
Phoenix Ahmedabad	235	190	206	209	278	18	33
Pune - Mall of the Millenium	352	284	322	341	441	25	29
Bangalore - Mall of Asia	346	292	369	463	732	112	58
Total	4,004	3,248	3,588	3,749	4,992	25	33
Rental Income (₹ crore)							
HSP & Palladium	108	99	108	116	123	14	6
PMC Mumbai	47	44	45	45	50	7	11
PMC Bangalore	53	51	47	49	54	2	10
PMC & Palladium Chennai*	57	56	57	58	61	7	5
PMC Pune	56	54	54	52	56	-	8
Phoenix Pallasio	37	36	36	37	41	11	11
Phoenix United Lucknow	9	8	8	9	9	2	-
Phoenix United Bareilly	7	7	7	7	8	14	14
Phoenix Citadel Indore	24	17	26	26	24	(2)	(8)
Phoenix Ahmedabad	33	32	32	33	37	12	12
Pune - Mall of the Millenium	37	38	43	44	49	32	11
Bangalore - Mall of Asia	39	39	47	51	62	59	22
Total	507	481	510	527	574	13	9

Source: Company, ICICI Direct Research

Exhibit 3: Valuation Mix

Type	NAV (Rs. in crore)	PML Value (Rs. in crore)	Value/ share (Rs. in crore)
Retail	44,743	33,321	932
Commercial	6,263	4,967	139
Hospitality	8,434	6,311	177
Residential	2,205	2,205	62
Total		46,804	1,309
Premium for Growth (50%)		23,870	668
Standalone Cash & Cash equivalent		663	19
Grand Total		71,338	2,000

Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

Year-end-march	FY25	FY26E	FY27E	FY28E
Net Sales	3,814	4,501	5,141	5,413
Other Income	151	145	152	160
Total revenues	3,964	4,646	5,293	5,572
Raw Material Expenses	218	258	294	310
Employee Cost	363	428	489	515
Other Expenditure	1,071	1,161	1,277	1,229
Total Operating Expenditure	1,652	1,847	2,061	2,054
EBITDA	2,161	2,654	3,081	3,359
Interest	403	385	417	415
Depreciation	327	374	438	462
PBT	1,595	2,015	2,378	2,642
Tax	294	464	547	666
Reported PAT	984	1,229	1,461	1,588
EPS	27.5	34.4	40.9	44.4

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

Year-end-march	FY25	FY26E	FY27E	FY28E
Profit after Tax	984	1,229	1,461	1,588
Depreciation	327	374	438	462
Interest paid	403	385	417	415
Cash Flow before wc changes	2,149	2,774	3,233	3,519
Net Increase in Current Assets	118	(255)	(237)	(101)
Net Increase in Current Liabilities	101	480	448	190
Net cash flow from op. activities	2,084	2,536	2,896	2,942
Purchase of Fixed Assets	(2,617)	(1,069)	(2,000)	(1,129)
(Purchase)/Sale of Investments	(2,710)	-	-	-
Net cash flow from inv. activities	(2,234)	(1,055)	(1,984)	(1,112)
Proceeds from Long Term Borrowings	450	(190)	373	(19)
Interest paid	(345)	(385)	(417)	(415)
Net cash flow from fin. activities	(47)	(491)	39	(358)
Net Cash flow	(198)	989	951	1,472
Opening Cash	710	512	1,501	2,452
Closing Cash	512	1,501	2,452	3,924

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

Year-end-march	FY25	FY26E	FY27E	FY28E
Equity Capital	72	72	72	72
Reserves & Surplus	10,377	11,690	13,234	14,898
Networth	10,448	11,761	13,306	14,970
Total Debt	4,663	4,473	4,845	4,826
Other financial liabilities	1,082	1,277	1,459	1,536
Deferred Tax Liability	350	350	350	350
Source of Funds	19,948	21,603	24,087	26,214
Gross Block	16,580	17,799	20,852	21,981
Less: Accumulated Dep	2,707	3,081	3,519	3,981
Net Block	13,873	14,718	17,333	18,000
Capital WIP	3,143	2,994	1,941	1,941
Total Fixed Assets	17,016	17,712	19,274	19,941
Investments	479	479	479	479
Inventories	774	913	1,043	1,098
Trade Receivables	230	272	310	327
Loans & Advances	17	20	22	24
Cash & Bank Balances	512	1,501	2,452	3,924
Other Current Assets	393	464	530	558
Total Current Assets	2,911	4,155	5,344	6,916
Trade Payable	203	240	274	288
Provisions	170	201	230	242
Other Current Liabilities	1,210	1,427	1,631	1,717
Total Current Liabilities	1,583	1,869	2,134	2,247
Net Current Assets	1,328	2,287	3,209	4,669
Application of Funds	19,948	21,603	24,087	26,214

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios ₹ crore

Year-end-march	FY25E	FY26E	FY27E	FY28E
Per Share Data				
Diluted EPS	27.5	34.4	40.9	44.4
Adjusted EPS	27.9	33.7	40.9	44.4
BVPS	292.2	329.0	372.2	418.7
Operating Ratios				
EBITDA / Net Sales	56.7	59.0	59.9	62.1
PAT / Net Sales	26.1	26.8	28.4	29.3
Return Ratios				
RoE	9.5	10.2	11.0	10.6
RoCE	10.0	11.2	11.6	11.7
RoIC	12.7	15.0	14.8	15.7
Valuation Ratios				
EV / EBITDA	29.3	23.4	20.0	17.9
P/E	61.1	48.9	41.2	37.9
EV / Net Sales	16.6	13.8	12.0	11.1
Market Cap / Sales	15.8	13.4	11.7	11.1
Price to Book Value	5.8	5.1	4.5	4.0
Turnover Ratios				
Asset turnover	0.2	0.2	0.2	0.2
Gross Block Turnover	0.2	0.2	0.2	0.2
Solvency Ratios				
Net Debt / Equity	0.3	0.2	0.1	(0.0)
Current Ratio	0.9	0.9	0.9	0.9
Quick Ratio	0.4	0.4	0.4	0.4

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headsservicequality@icidirect.com Contact Number: 18601231122

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