

Healthy consumption outlook ahead...

About the stock: Phoenix Mills (PML) is a leading retail mall developer and operator in India. It is into retail-led, mixed-use properties and has developed 17.5+ mn sq ft of retail, commercial, hospitality and residential asset class.

- PML has an operational retail area of ~8.7 mn sq ft spread over 11 malls and is developing ~5 mn sq ft of retail space. It has ~2 mn sq ft operational in the commercial segment and plans to add ~5 mn sq ft by FY27

Q4FY23 Results: PML reported a strong operating performance.

- Revenues grew ~47.2% YoY, 6.6% QoQ to ₹ 729 crore. Retail revenues were up ~45% YoY at ₹ 481 crore while hospitality revenues were up 145% YoY at ₹ 142.6 crore. Retail rental at ₹ 340.3 was up 36% YoY and 28% on a like to like basis. Consumption in Q4FY23 at ₹ 2211 crore, was up ~32% YoY and ~28% on a like-to-like basis and was at ~137% of pre-Covid
- Reported EBITDA margins were up 285 bps QoQ to 59.1%. The company reported a PAT of ₹ 254.1 crore, up 142.5% YoY, aided by superior operating profit, one-off exceptional gain and lower tax

What should investors do? PML's share price has grown at 17% CAGR over the past five years (from ~₹ 686 in May 2018 to ~₹ 1479 levels currently).

- We maintain our **BUY** rating as PML remains a quasi-play on India's consumption story, given the quality of assets & healthy balance sheet

Target Price and Valuation: We value PML at ₹ 1705/share, valuing it at 20% premium to NAV given the business development activities lined up.

Key triggers for future price performance:

- Focused on core competence in retail malls; under-development retail GLA of ~5 mn sq ft to aid growth. Over the medium term, we expect retail rental income to grow at a CAGR of ~16% to ₹ 2096 crore in FY20-25E
- Strong addition pipeline in the commercial segment, which is likely to expand to ~7 msf by FY27 from ~2msf currently
- Healthy balance sheet and strategic expansion plan to add organic/inorganic retail assets

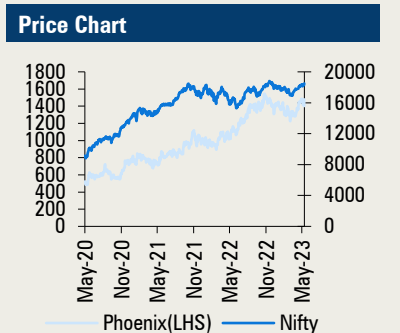
Alternate Stock Idea: Besides PML, we like Mahindra Lifespace in real estate space.

- Expanding residential portfolio
- BUY with a target price of ₹ 470



Particulars	Amount (₹ crore)
Market Capitalization	26,416
Total Debt (FY23)	4,259
Cash (FY23)	630
EV	30,045
52 week H/L (₹)	1624 / 990
Equity capital	35.7
Face value	₹ 2

Shareholding pattern	Jun-22	Sep-22	Dec-22	Mar-23
Promoters	47.3	47.3	47.3	47.3
DII	16.2	17.0	19.0	18.1
FII	31.6	30.6	29.3	30.4
Other	4.9	5.1	4.4	4.3



Key Risks

Key Risk: (i) Slowdown in mall consumption; (ii) Any slowdown in commercial leasing

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Key Financial Summary

(₹ Crore)	FY20	FY21	FY22	FY23	5 yr CAGR (FY18-23)	FY24E	FY25E	2 yr CAGR (FY23-25E)
Net Sales (₹ crore)	1,941.1	1,073.3	1,483.5	2,638.3	10%	3,114.3	3,832.3	21%
EBITDA (₹ crore)	967.1	494.2	733.9	1,518.9	14%	1,833.8	2,351.9	24%
EBITDA margin (%)	49.8	46.0	49.5	57.6		58.9	61.4	
Adj. Net Profit (₹ crore)	327.0	52.6	237.4	729.8	25%	836.2	1,113.6	24%
Adj. EPS (₹)	21.4	2.9	13.3	40.9		46.8	62.3	
P/E (x)	67.7	501.9	111.2	19.8		31.6	23.7	
EV/EBITDA (x)	31.5	60.4	38.7	19.1		15.7	12.0	
Price / Book (x)	6.1	5.4	4.0	3.2		2.9	2.6	
RoCE (%)	8.6	3.6	4.6	8.8		9.6	11.5	
RoE (%)	8.8	1.1	3.6	8.7		9.1	10.8	

Key business highlight and outlook

- Retail properties KPIs:** Consumption was at ₹ 2,211 crore, up ~32% YoY and ~28% on a like-to-like basis in Q4. Consumption at ₹ 9248 crore in FY23, was 133% of pre-Covid year (FY20 and 119% on a like to like basis). The top performing categories were jewellery, which was up 164%. Electronics up 58%, fashion and accessories up 62%, FEC, multiplex and entertainment up 61%. Retail rental at ₹ 340.3 crore, was up 36% YoY and 28% on a like to like basis. Further, retail collections remained healthy for Q4FY23 with collections of ₹ 582 crore (vs. ₹ 540 crore in Q3FY23). For FY23, collections were at ₹ 2167 crore. Additionally, **momentum in consumption remained healthy during April, 2023 at ₹ 851 crore, up ~18% YoY. On a like to like basis, it was up 11% YoY**
- Retail outlook:** Going forward, PML expects **consumption across its retail portfolio to grow to ₹ 11500 crore in FY24 (vs. ₹ 9248 crore in FY23) of which ~₹ 1200 crore will be contributed by new malls** in Indore and Ahmedabad, implying **like to like consumption growth of portfolio 12.5%**. Further, **trading density is expected to increase 8-10% while trading occupancy at existing malls is likely to ramp up to 93-95% by Diwali**. PML has set a **target to add ~1 mn sq ft of GLA each year post FY25** and is looking for greenfield opportunities in various regions including MMR, Jaipur, Chandigarh, Hyderabad, NCR, Goa, Nagpur, Vizag among others)
- Commercial KPIs:** The commercial portfolio, with total leased area of 1.26 mn sq ft saw its occupancy improve sequentially to 64% (from 62% in Q3FY23. Revenues and EBITDA during Q4FY23 were flat YoY at ₹ 43.4 crore and ₹ 27.1 crore, respectively. Collection efficiency was at ~97.1%. In terms of leasing, **the company achieved gross leasing of ~4.31 lakh sq ft during FY23, of which ~2.81 lakh sq ft is new leasing and ~1.50 lakh sq ft is renewal leasing. The company indicated that ~0.18 msf of office space is under fit-out stage and should start contributing from Q3FY24. The office portfolio is expected to grow to ~ 7 msf by FY27 gradually with 0.9msf to be delivered in FY24, 1.7 msf in FY25, 1.5 msf in FY26 and balance in FY27**
- Hospitality portfolio:** Hospitality business **revenues improved to ₹ 142.6 crore during Q4FY23 (up ~161% YoY and 64% above pre-Covid levels)** with higher occupancy and improved average room rentals (ARR) with uptick in social events, revival in corporate travels and pickup in F&B segments. Portfolio-wise, **St Regis average occupancy remained elevated at 84% during Q4FY23 (vs. 81% in Q3) Additionally, ARR improved to ₹ 19334 in Q4FY23. With improved ARR and occupancy, revenue improved to ₹ 129 crore during Q4FY23. Further, improved revenue and various cost rationalisation exercises translated into 50% EBITDA margin (45% in Q3)**
- Residential business:** The residential segment reported revenues of ₹ 54.6 crore in residential segment, was down 6% YoY. **New sales were healthy at ₹ 199.4 crore in Q4 (~₹ 466 crore in FY23). Collections were healthy at ₹ 115 crore during Q4FY23 (₹ 369 crore in FY23) vs. ₹ 129 crore in Q3.** Going forward, the company is witnessing healthy demand with faster conversions. The company awaits clarity on TDR policy before launching Tower 8-9 at One Bangalore West
- Debt:** Gross debt as on Q4 was at ₹ 4037 crore (net debt ₹ 2282 crore, up ₹ 192 crore QoQ). Average cost of borrowing was at 8.74% in March 2023 (vs. 8.41% in December 2022)
- Capex:** Capex (including land payment) in FY23 was at ~₹ 2300 crore. The company has pending capex of ₹ 4600 crore for its retail and office portfolio. It expects capex of ₹ 2000-2200 crore annually (including land buy)
- Recently opened malls performance:** Phoenix Citadel Indore has attained a trading occupancy of ~79% within five months of operations. Palladium

Ahmedabad reached 57% trading occupancy in the third month. Both malls are likely to scale-up to leased occupancy of 93-94% by Q3

- **FY24 malls opening timelines:** a) **Phoenix Mall of Asia (Hebbal, Bangalore):** to begin operation by Q1 end/Q2 beginning of FY24; ~90%+ of retail GLA pre-leased by Q3FY23-end, rentals at ~₹ 150-160/ sq ft and b) **Phoenix Millennium (Wakad, Pune):** expected to start operation during FY24; more than ~90% preleased; rentals at ~₹ 120-130/ sq ft
- **Kolkata residential update:** The Kolkata residential project has received height and ULC clearance. Design and liaison architect has been appointed and fencing work is complete. **Launch is expected post eight to nine months.** Recall, the company has won the bid for ~5.5-acre premium land parcel in Kolkata (at Alipore) for ₹ 414 crore, having a gross developmental potential of ₹ 2,000 crore (1 mn sq ft of developmental area; overall capex incl. construction: ₹ 1000 crore)
- **Project rise update:** Currently, shore piling work has been completed and rock anchoring, excavation etc is under progress. Recall, the company expects to add office GLA of 1mn sq ft and retail GLA of 0.2 mn sq ft while construction work commenced in June, 2023
- **Kolkata Mall update:** Demolition work for on-site structure has been completed and currently piling and diaphragm work is in progress. **Recall, the company is constructing ~1 msf retail leasable area mall in Kolkata in partnership with CPPIB**
- **Surat Mall:** The project is in final stage of approval, awaiting environmental clearance to commence construction. Recall that in December 2022, the company acquired land parcel of ~7 acres in partnership with GIC and Bsafal group for ₹ 501 crore (total costs will be ₹ 1000 crore, including construction costs) in Surat. The development would be ~1 mn sq ft with estimated construction period of 3-3.5 years

Exhibit 1: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	YoY (Chg %)	Q3FY23	QoQ (Chg %)	Comments
Income from Operation	729.0	692.3	495.4	47.2	683.8	6.6	The retail revenues grew by ~45% YoY at ₹ 481 crore, while hospitality revenues were up by 145% YoY at ₹ 142.6 crore. We note that Retail Rental at ₹ 340.3 crore (up 36% YoY), are at ~130% of Q4FY20 (Pre-Covid level), on a like-to-like basis. Consumption in Q4FY23 at ₹ 2211 crore, was ~137% of pre-covid. Commercial segment saw revenues growth of ~1.4% YoY at ₹ 43.7 crore. The revenues recognition of ₹ 54.6 crore in residential segment, was down 5.7% YoY
Other Income	25.7	32.3	24.4	5.2	34.7	-26.0	
Total raw material Expense:	42.7	36.9	33.9	25.9	38.0	12.3	
Employee cost	60.3	67.2	41.4	45.8	68.0	-11.2	
Other expenditure	164.9	164.5	158.6	4.0	162.5	1.5	
EBITDA	430.7	392.8	241.1	78.7	384.5	12.0	
EBITDA Margin (%)	59.1	56.7	48.7	1041 bps	56.2	285 bps	
Depreciation	65.0	66.3	44.1	47.4	56.9	14.1	
Interest	97.1	90.1	78.3	23.9	86.6	12.1	
PBT	342.8	268.6	143.1	139.5	275.7	24.3	
Taxes	49.6	71.1	25.7	92.6	63.3	-21.7	
Reported PAT	254.1	165.2	104.8	142.5	176.4	44.1	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY23E		FY24E			FY25E			Comments
	Old	New	% Change	Old	New	% Change			
Revenue	2638.3	3131.4	3114.3	-0.5	3,821.2	3832.3	0.3	Realign estimates	
EBITDA	1518.9	1824.4	1833.8	0.5	2,312.2	2351.9	1.7		
EBITDA Margin (%)	57.6	58.3	58.9	62 bps	60.5	61.4	86 bps		
Adj. PAT	729.8	810.2	836.2	3.2	1,072.1	1113.6	3.9		
EPS (₹)	74.8	45.4	46.8	3.2	60.1	62.4	3.9		

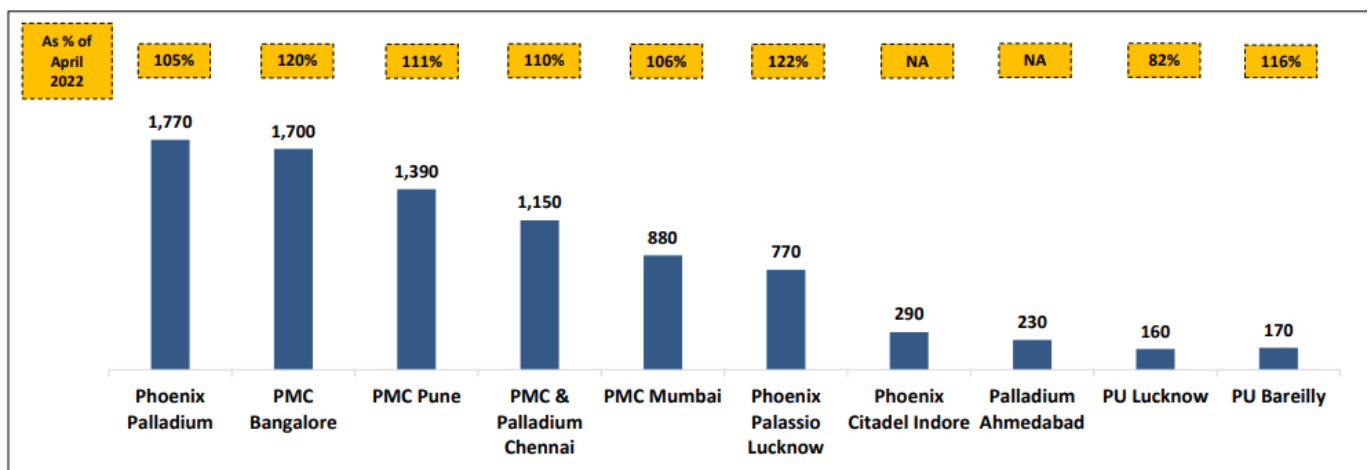
Source: Company, ICICI Direct Research

Exhibit 3: April 2023 Consumption Trend



Retail consumption in April 2023 at 118% of April 2022

April 2023 Consumption (Rs. mn)



- Total consumption in April 2023 was Rs. 8,510 mn, 118% of April 2022
- Excl. contribution from Phoenix Palassio, Phoenix Citadel and Palladium Ahmedabad, which opened in July 2020, December 2022 and February 2023 respectively; April 2023 consumption was 110% of April 2022

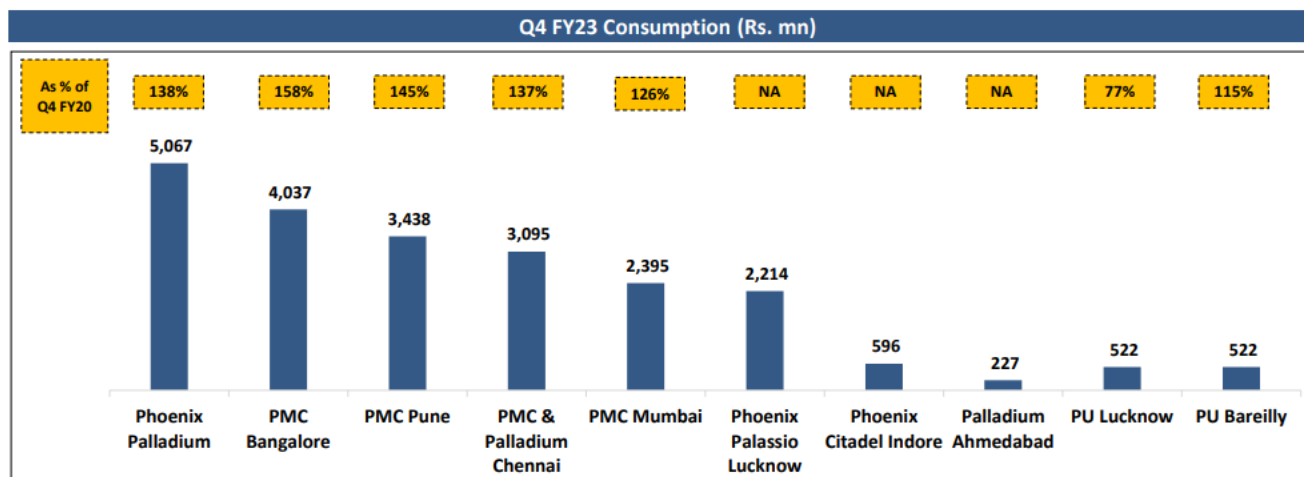
Source: Company, ICICI Direct Research

Company Analysis

Exhibit 4: Consumption Trend



Retail: Q4 FY23 Consumption at 159% of Q4 FY20



- Total consumption in Q4 FY23 was Rs. 22,114 mn, 159% of Q4 FY20
- Excl. contribution from Phoenix Palassio, Phoenix Citadel and Palladium Ahmedabad which opened in July 2020, December 2022 and February 2023 respectively; Q4 FY23 consumption was 137% of Q4 FY20
- Retail collections* at Rs. 5,766 mn for Q4 FY23

Source: Company, ICICI Direct Research

Exhibit 5: Retail income trend

	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ(%)
Rental Income (₹ crore)							
HSP & Palladium	73.6	94.5	91.3	99.1	96.8	31.5	(2.3)
PMC Mumbai	28.2	37.4	35.1	37.5	37.0	31.2	(1.3)
PMC Bangalore	37.1	46.0	47.2	50.7	47.3	27.5	(6.7)
PMC & Palladium Chennai*	34.6	49.4	48.9	47.5	47.2	36.4	(0.6)
PMC Pune	41.0	52.3	46.2	50.9	47.6	16.1	(6.5)
Phoenix Palassio	23.8	27.9	29.2	31.9	30.9	29.8	(3.1)
Phoenix United Lucknow	6.8	9.0	9.6	9.0	8.7	27.9	(3.3)
Phoenix United Bareilly	5.6	5.8	5.8	6.9	5.6	-	(18.8)
Phoenix Citadel Indore				2.8	16.3		
Phoenix Citadel Indore					2.9		
Total	251	322	313	336	340	35.7	1.2

Source: Company, ICICI Direct Research

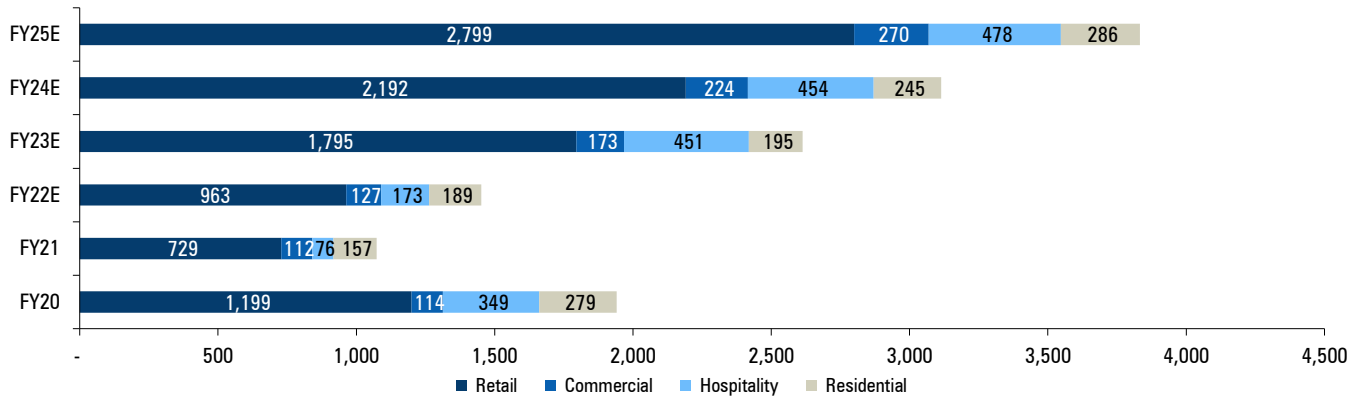
Exhibit 6: Commercial portfolio

Office	Location	Area (msf)	Area Sold(msf)	Net Leasable Area (msf)	Leased (msf)	Avg Rate (₹/sq ft.)
Operational						
Phoenix Paragon Plaza	Mumbai	0.43	0.12	0.31	0.16	110
The Centrium	Mumbai	0.28	0.16	0.12	0.08	98
Art Guild House	Mumbai	0.80	0.17	0.63	0.52	89
Phoenix House	Mumbai	0.09	0.00	0.09	0.08	187
Fountainhead - Tower 1	Pune	0.17	0.00	0.17	0.17	82
Fountainhead - Tower 2	Pune	0.26	0.00	0.25	0.16	73
Fountainhead - Tower 3	Pune	0.41	-	0.41	0.10	58
Total Operational		2.46	0.46	2.00	1.26	88

Source: Company, ICICI Direct Research

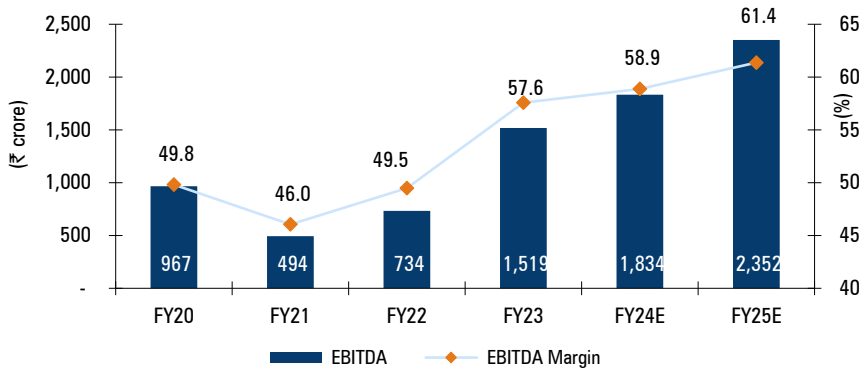
Financial story through charts

Exhibit 7: Revenue trend



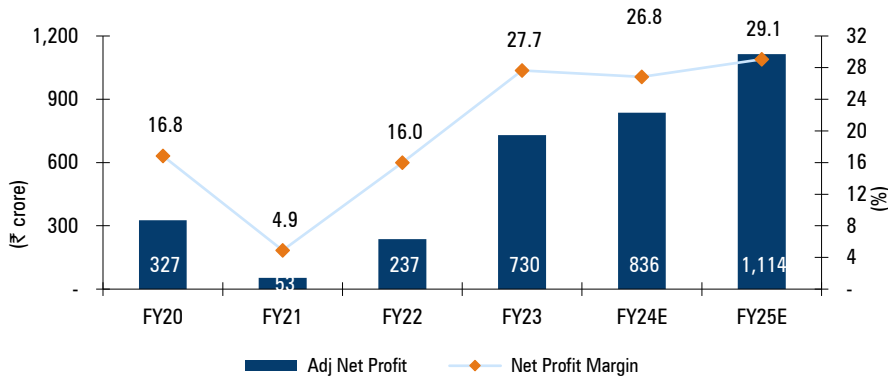
Source: Company, ICICI Direct Research

Exhibit 8: EBITDA and EBITDA margin trend



Source: Company, ICICI Direct Research

Exhibit 9: PAT trend



Source: Company, ICICI Direct Research

Valuation & Outlook

PML remains a quasi-play on India's consumption story, given the quality of assets, healthy balance sheet & strategic expansion plans. With only five to six major retail mall developers currently in India, and given its USP of operating large format properties efficiently, PML remains a superior player in the medium to long term. We expect retail rental income to grow at a CAGR of ~16% to ₹ 2096 crore in FY20-25E. We maintain BUY rating with a revised SoTP based target price of ₹ 1705/share. Given that strategic inorganic expansion is now lined up, we now assign 20% premium to NAV, with value-add potential in sight with new retail /residential segment project addition.

Exhibit 10: Valuation

Type	Parameters	GAV (₹ crore)	Debt (₹ crore)	NAV (₹ crore)	PML Value (₹ crore)	Value/ share (₹/ share)
Retail	Leasable area (msf)					
Retail Operational	8.8	20,218.0	3,394.7	16,823.3	13439	752
Retail under construction	4.1	4152	1300	2852	1455	81
Retail Total	12.9	24,370	4,695	19,676	14,894	834
Commercial	Leasable area (msf)					
Commercial Operational	2.0	2074	53	2022	1626	91
Commercial under construction	5.1	7057	1068	5990	5226	293
Commercial Total	7.1	9,132	1,120	8,011	6,852	384
Hospitality	No of keys					
Hospitality Total	588	3,804	458	3,346	2,487	139
Residential	Saleable area (msf)					
Residential Total		1,162	30	1,132	1,132	63
Total					25,364	1,420
Premium for Growth (20%)					5,073	284
Grand Total					30,437	1,704
Rounded Off target price						1,705

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 11: Profit and loss statement ₹ crore

₹ crore	FY22	FY23	FY24E	FY25E
Net Sales	1,483.5	2,638.3	3,114.3	3,832.3
Other Income	74.4	116.3	119.8	125.8
Total revenues	1,557.9	2,754.6	3,234.2	3,958.1
Raw Material Expenses	103.0	148.9	175.7	216.2
Employee Cost	156.9	232.5	261.6	325.7
Other Expenditure	489.6	738.1	843.2	938.4
Total Operating Expenditure	749.6	1,119.4	1,280.5	1,480.4
EBITDA	733.9	1,518.9	1,833.8	2,351.9
Interest	294.5	341.2	366.6	376.2
Depreciation	185.9	227.8	294.6	314.6
PBT	328.0	1,671.4	1,292.5	1,786.9
Tax	80.1	198.9	323.1	446.7
Reported PAT	237.4	1,335.0	836.2	1,113.6
EPS	13.3	74.7	46.8	62.3

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement ₹ crore

₹ crore	FY22	FY23	FY24E	FY25E
Profit after Tax	237.4	1,335.0	836.2	1,113.6
Depreciation	185.9	227.8	294.6	314.6
Interest paid	294.5	341.2	366.6	376.2
Cash Flow before wc changes	767.0	1,569.2	1,953.7	2,477.7
Net Increase in Current Assets	(28.1)	(439.8)	(184.4)	(470.4)
Net Increase in Current Liabilities	99.4	435.6	24.0	458.9
Net cash flow from op. activities	780.6	1,356.1	1,470.1	2,019.4
Purchase of Fixed Assets	(1,259.2)	(1,825.7)	(738.3)	(1,110.9)
(Purchase)/Sale of Investments	(3,582.5)	(4,266.9)	-	-
Net cash flow from inv. activities	(2,929.5)	(1,455.2)	(732.1)	(1,104.1)
Proceeds from Long Term Borrowing	41.3	(453.7)	323.5	119.6
Interest paid	(279.5)	(366.9)	(366.6)	(376.2)
Net cash flow from fin. activities	2,227.6	136.8	(73.4)	(243.8)
Net Cash flow	78.7	37.6	664.7	671.5
Opening Cash	513.9	592.6	630.2	1,294.9
Closing Cash	592.6	630.2	1,294.9	1,966.4

Source: Company, ICICI Direct Research

Exhibit 13: Balance Sheet ₹ crore

₹ crore	FY22	FY23	FY24E	FY25E
Equity Capital	35.7	35.7	35.7	35.7
Reserves & Surplus	6,546.8	8,344.0	9,149.9	10,276.4
Networth	6,582.5	8,379.8	9,185.6	10,312.1
Total Debt	4,379.5	4,259.3	4,582.8	4,702.4
Other financial liabilities	117.4	311.3	367.4	452.1
Deferred Tax Liability	4.8	287.3	287.3	287.3
Source of Funds	13,513	15,934	17,259	18,823
Gross Block	8,933.5	12,305.0	14,728.1	15,728.1
Less: Accumulated Dep	1,732.2	1,960.0	2,254.5	2,569.1
Net Block	7,201.3	10,345.0	12,473.5	13,159.0
Capital WIP	2,048.6	2,294.7	609.9	720.8
Total Fixed Assets	9,249.9	12,639.7	13,083.4	13,879.7
Investments	493.2	302.2	302.2	302.2
Inventories	749.8	1,211.7	1,279.9	1,574.9
Trade Receivables	279.9	238.2	281.2	346.1
Loans & Advances	88.8	49.5	58.4	71.9
Cash & Bank Balances	592.6	630.2	1,294.9	1,966.4
Other Current Assets	282.5	356.7	421.1	518.1
Total Current Assets	3,817.7	3,466.5	4,315.5	5,457.5
Trade Payable	129.8	158.5	187.1	230.2
Provisions	156.8	182.9	198.8	244.6
Other Current Liabilities	535.0	1,313.9	1,237.2	1,522.4
Total Current Liabilities	821.7	1,655.3	1,623.1	1,997.3
Net Current Assets	2,996.0	1,811.2	2,692.4	3,460.2
Application of Funds	13,513	15,934	17,259	18,823

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios

₹ crore	FY22	FY23	FY24E	FY25E
Per Share Data				
Reported EPS	13.3	74.7	46.8	62.3
Adjusted EPS	13.3	40.9	46.8	62.3
BVPS	368.7	469.2	514.3	577.4
Operating Ratios				
EBITDA / Net Sales	49.5	57.6	58.9	61.4
PAT / Net Sales	16.0	27.7	26.8	29.1
Return Ratios				
RoE	3.6	8.7	9.1	10.8
RoCE	4.6	8.8	9.6	11.5
RoIC	6.7	11.6	11.4	14.3
Valuation Ratios				
EV / EBITDA	38.7	19.1	15.7	12.0
P/E	111.2	19.8	31.6	23.7
EV / Net Sales	19.1	11.0	9.2	7.4
Market Cap / Sales	17.8	10.0	8.5	6.9
Price to Book Value	4.0	3.2	2.9	2.6
Turnover Ratios				
Asset turnover	0.1	0.2	0.2	0.2
Gross Block Turnover	0.2	0.2	0.2	0.2
Solvency Ratios				
Net Debt / Equity	0.3	0.3	0.3	0.2
Current Ratio	1.7	1.1	1.3	1.3
Quick Ratio	0.8	0.4	0.5	0.5

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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