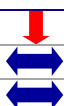


Phoenix Mills

Estimate change

TP change

Rating change



Bloomberg	PHNX IN
Equity Shares (m)	179
M.Cap.(INRb)/(USDb)	558.6 / 6.7
52-Week Range (INR)	3266 / 1390
1, 6, 12 Rel. Per (%)	-3/23/92
12M Avg Val (INR M)	918

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	39.8	40.1	46.7
EBITDA	21.8	23.7	28.9
EBITDA (%)	54.7	59.2	61.9
PAT	11.0	10.9	14.8
EPS (INR)	61.6	60.8	83.0
EPS Gr. (%)	50.6	-1.3	36.5
BV/Sh. (INR)	529.8	587.6	667.6

Ratios

Net D/E	0.4	0.3	0.1
RoE (%)	12.3	10.9	13.2
RoCE (%)	12.3	11.3	13.5
Payout (%)	4.4	4.9	3.6

Valuations

P/E (x)	50.8	51.4	37.7
P/BV (x)	5.9	5.3	4.7
EV/EBITDA (x)	27.4	24.7	19.6
Div Yield (%)	0.1	0.1	0.1

Shareholding pattern (%)

As on	Mar-24	Dec-23	Mar-23
Promoter (%)	47.3	47.3	47.3
DII (%)	15.8	17.7	18.1
FII (%)	32.8	30.8	30.4
Others (%)	4.1	4.2	4.3

CMP: INR3,126

TP: 3,220 (+3%)

Neutral

Strong growth aided by opening of new malls

Beat on revenue led by the residential segment; EBITDA/PAT in line

- Phoenix Mills (PHNX) reported revenue of INR13.1b, up 79%/32% YoY/QoQ, which was 20% ahead of our estimate due to a higher contribution from the residential segment as Tower 7 of its project in One Bangalore West received OC. During FY24, its revenue jumped 51% YoY to INR39.7b.
- However, on account of a higher residential mix, the EBITDA margin contracted 11pp to 48%. As a result, EBITDA growth was restricted to 46% YoY at INR6.3b (in line). Adj. PAT rose 59% YoY to INR3.3b (in line). During FY24, Adj. PAT stood at INR11b, up 37% YoY.
- PHNX generated an OCF (post-interest) of INR17.8b (up 27% YoY) and incurred a capex of INR16.7b. Its gross debt was flat QoQ at INR43.7b; however, net debt declined INR1b to INR15.6b.

New malls drive strong consumption and rental growth

- Consumption across PHNX's mall portfolio was up 28% YoY to INR28b in 4QFY24 and it rose 23% YoY in FY24 to INR113.4b, marginally ahead of its guidance of INR110b. On a like-for-like basis, consumption grew 10% YoY for 4Q and 8% YoY for FY24.
- Retail rental income increased 31% YoY to INR4.5b, and EBITDA was up 28% YoY to INR4.5b with a margin of 74% (down 200bp). FY24 retail rental income grew 27% YoY (in line with consumption growth) to INR16.6b as new malls contributed 18% to the overall revenue.
- Trading occupancy stood at 88% in Mar'24, while leased occupancy was 97%. Management expects to reach a trading occupancy of >95% by the end of FY25, which will drive 30% increase in retail rental income in FY25. However, with no new malls getting commissioned over the next two years, we expect rental CAGR to subside to 15% over FY25-27.

Strong show by the hotel segment; office rentals to scale-up from FY25

- Hospitality:** Occupancy improved 200bp/400bp QoQ to 88% each for St. Regis and Marriott Agra. ARR was up 10% YoY at St. Regis to ~INR21,200, and it rose 11% YoY at Marriott Agra to INR6,350. Total income grew 11% YoY to INR1.6b, and EBITDA was up 15% YoY to INR0.75b in 4QFY24.
- Commercial performance:** Occupancy improved 700bp YoY to 70%. Total income was INR480m (+22% YoY), while EBITDA rose 14% YoY to INR300m.
- PHNX is likely to deliver 1.6msf of office assets across Bengaluru, Pune, and Chennai over the next 6-9 months. Thus, we expect its office rental income to report a CAGR of 39% to reach INR4.7b over FY24-FY27.

Highlights from the management commentary

- LFL consumption growth:** Most of the Marketcity malls are at the fag end of anchor tenures. In PHNX Bengaluru and Pune, 52% of the space is occupied by anchors, which the company intends to utilize in an efficient manner. The company utilized the space successfully at PMC Mumbai. Over the next 3-5 year period, the consumption CAGR will be 11-12%.

- **Business development:** Last quarter, management indicated about 3-4 deals that were expected to be concluded within the next 18-24 months. It has already completed one in Bengaluru. Two more are in the advance stages and are likely to be closed by the end of FY25. PHNX is well on track to deliver 1msf each year. It is in a sweet spot, as the size of one of its malls has increased to 1.5msf.
- **Status of the key upcoming assets: Thane** – Management needs 2-3 months to freeze the development mix, but it will be a large mixed-use development with some retail and hotel components. Management is also evaluating residential development. **Kolkata residential** – It is aiming for a launch in the next 6-8 months. It has circled down on configuration. The micro-market is doing well, with realizations trending at INR15,000/sqft. **Bengaluru new land:** PHNX acquired 6.6 acres of land for INR2.3b. The acquisition window was short, and hence, it did a broad calculation and went ahead. This will provide an opportunity to add at least 1.3-1.4msf and enhance the quality of the existing asset. Management can evaluate residential development too, with a realization of INR15,000/sf.

Valuation and view

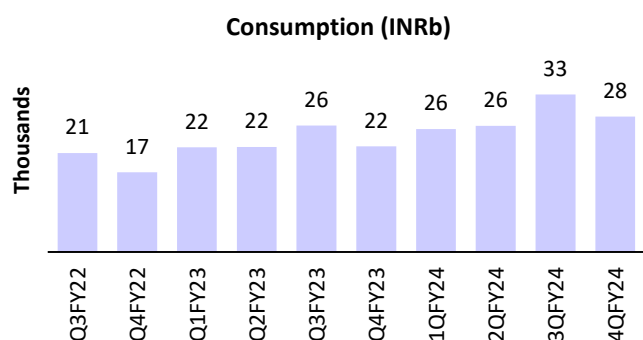
- PHNX continues to deliver strong operational and financial performance, driven by the commencement of new malls. As the trading occupancy ramps up further, we expect the growth momentum to continue. However, in the absence of the completion of any major new mall, we anticipate its growth to taper down in FY26-27.
- That said, we remain confident in the longer-term consumption growth trend, which can sustain at least 7-8%. Considering that, we recently moved to ([report link](#)) a multiple-based valuation from cap rate-based valuation for retail assets, where we value matured malls at 20x EV/EBITDA and new malls at 25x EV/EBITDA. Thus, we arrive at a fair value of INR3,220/share, indicating an upside potential of 3%. **We reiterate our Neutral rating on the stock.** New land acquisitions will be an upside risk to our estimates and valuation.

Financial Performance

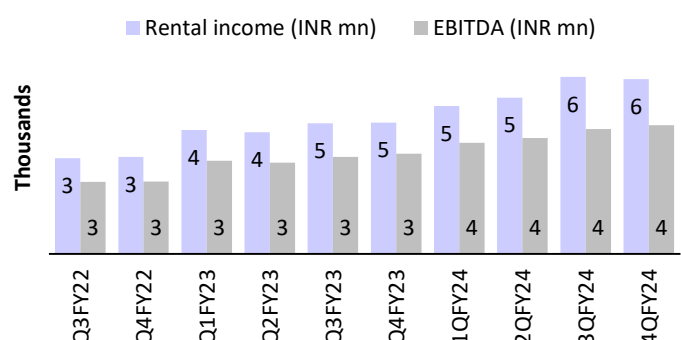
Y/E March	FY23				FY24				FY24E			Variance %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY23	FY24E	4QE	
Gross Sales	5,744	6,511	6,838	7,290	8,106	8,750	9,861	13,059	26,383	39,777	10,883	20%
YoY Change (%)	188.2	79.0	60.9	47.2	41.1	34.4	44.2	79.1	77.8	50.8	49.3	
Total Expenditure	2,515	2,702	2,994	2,983	3,183	3,691	4,343	6,792	11,194	18,009	4,771	
EBITDA	3,229	3,809	3,845	4,307	4,923	5,060	5,518	6,267	15,189	21,768	6,112	3%
Margins (%)	56.2	58.5	56.2	59.1	60.7	57.8	56.0	48.0	57.6	54.7	56.2	-817bp
Depreciation	500	559	569	650	630	659	656	757	2,278	2,702	797	
Interest	741	834	866	971	957	965	1,042	995	3,412	3,959	1,092	
Other Income	235	324	347	257	290	316	343	372	1,163	1,322	407	
PBT before EO expense	2,223	2,739	2,757	2,943	3,627	3,752	4,163	4,886	10,663	16,429	4,629	
Extra-Ord expense	5,568	0	0	484	0	0	0	0	6,052	0	0	
PBT	7,791	2,739	2,757	3,428	3,627	3,752	4,163	4,886	16,714	16,429	4,629	6%
Tax	341	520	633	496	730	714	724	998	1,989	3,166	839	
Rate (%)	15.3	19.0	23.0	16.8	20.1	19.0	17.4	20.4	18.7	19.3	18.1	
MI & P/L of Asso. Cos.	263	361	360	391	492	512	646	621	1,375	2,270	607	2%
Reported PAT	7,187	1,858	1,764	2,541	2,405	2,526	2,793	3,267	13,350	10,993	3,184	3%
Adj PAT	1,619	1,858	1,764	2,057	2,405	2,526	2,793	3,267	7,298	10,993	3,184	3%
YoY Change (%)	-765.7	220.3	78.3	96.3	48.5	35.9	58.3	58.9	121.3	1,880.3	54.8	
Margins (%)	28.2	28.5	25.8	28.2	29.7	28.9	28.3	25.0	27.7	27.6	29.3	

Source: Company, MOSL

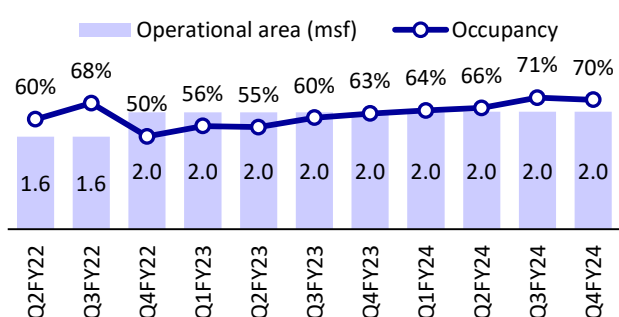
Key exhibits

Exhibit 1: Consumption across malls increased 28% YoY, aided by the ramp-up of new malls

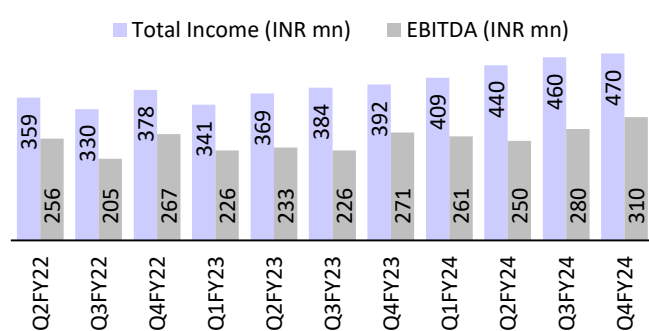
Source: Company, MOFSL

Exhibit 2: Rental income/EBITDA grew 31%/29% YoY

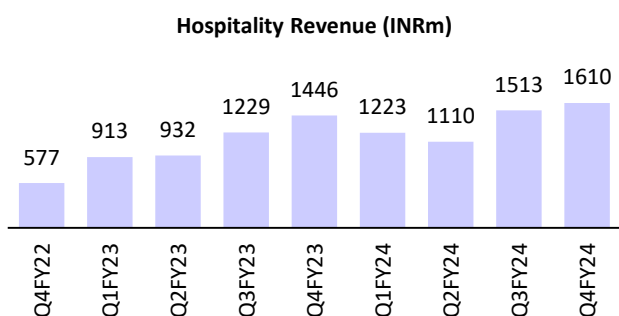
Source: Company, MOFSL

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

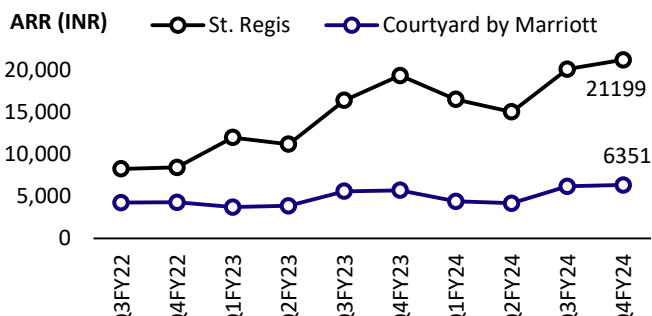
Source: MOFSL, Company

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

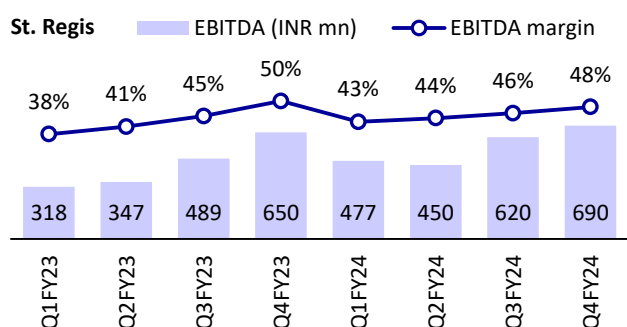
Source: MOFSL, Company

Exhibit 5: Hospitality revenue was up 11% YoY

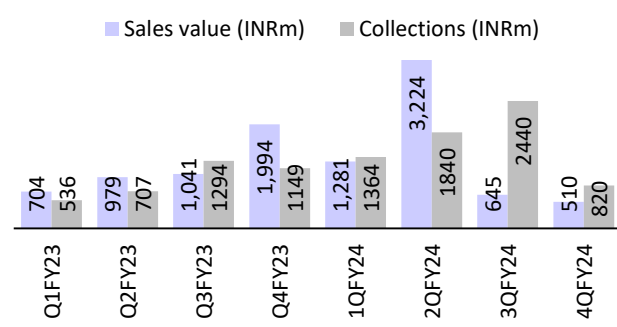
Source: Company, MOFSL

Exhibit 6: ARR at St. Regis was 10% higher than 4QFY23

Source: Company, MOFSL

Exhibit 7: Flagship hotel generated an EBITDA of INR690m

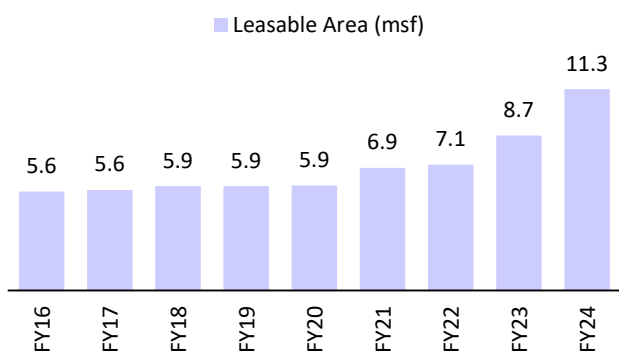
Source: MOFSL, Company

Exhibit 8: Residential business recorded a pre-sales of INR510m

Source: MOFSL, Company

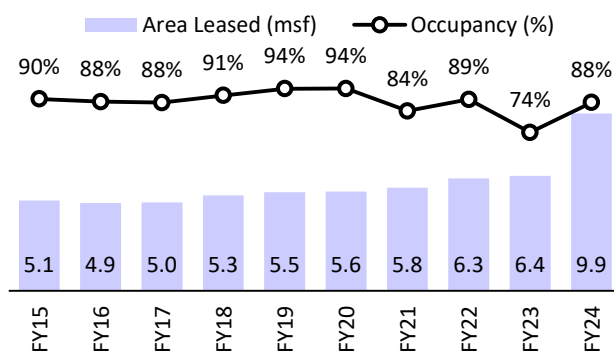
Story in charts

Exhibit 9: PHNX scaled up its leasable portfolio to ~11msf



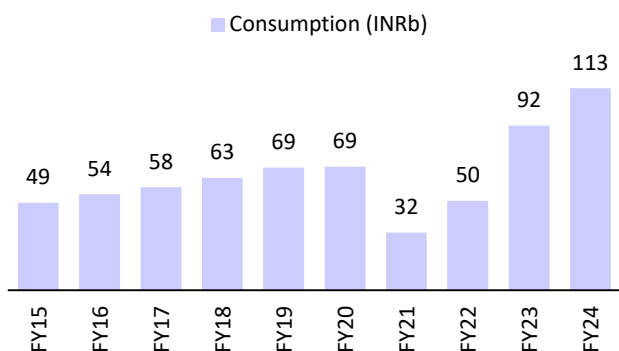
Source: Company, MOFSL

Exhibit 10: Occupancy inching up with ramp-up in new malls



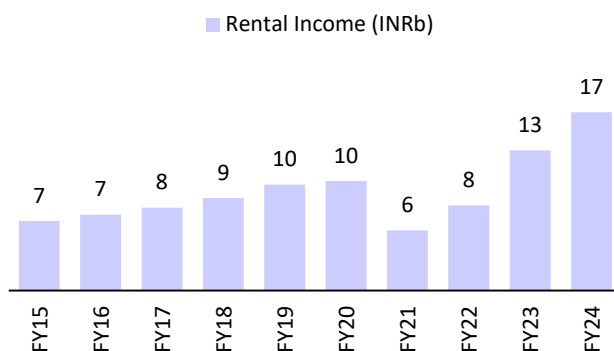
Source: Company, MOFSL

Exhibit 11: Consumption clocked 11% CAGR over FY14-24



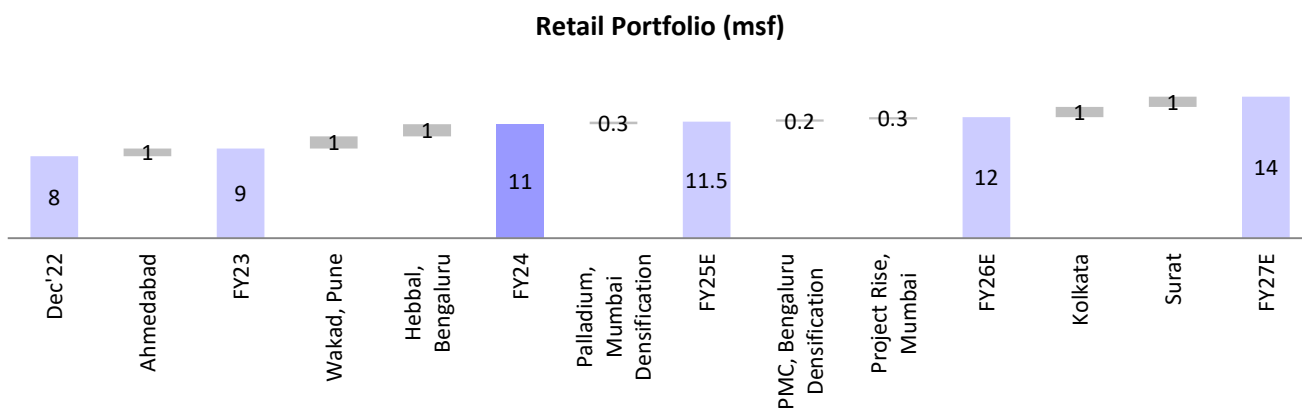
Source: MOFSL, Company

Exhibit 12: Rental income tracked consumption growth

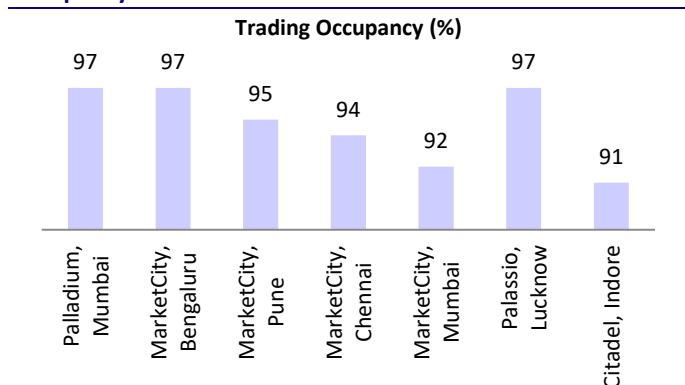


Source: MOFSL, Company

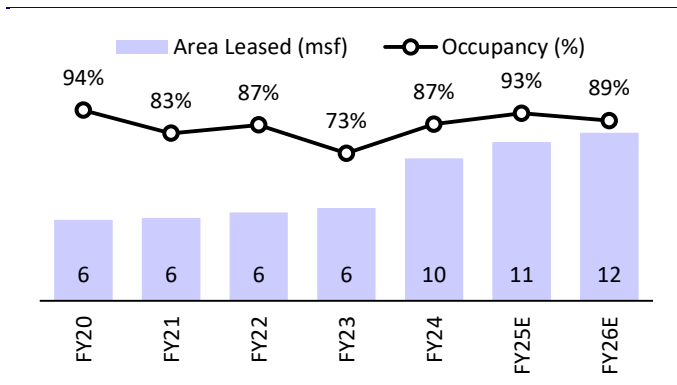
Exhibit 13: Retail portfolio to increase to 14msf by FY27



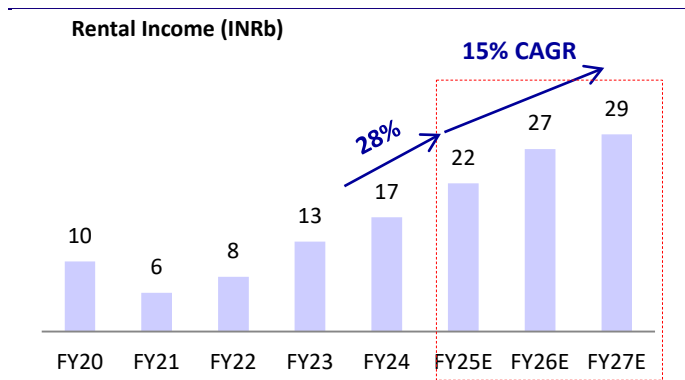
Source: MOFSL, Company

Exhibit 14: Most of the existing malls have 95%+ trading occupancy

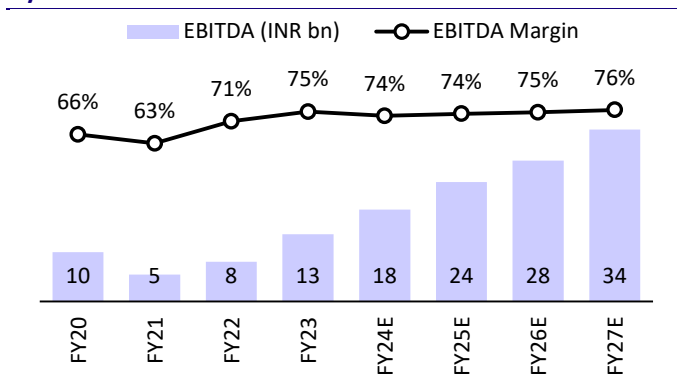
Source: MOFSL, Company

Exhibit 15: Portfolio occupancy likely to inch up towards 93%

Source: MOFSL, Company

Exhibit 16: Rental income growth to taper off to 15% after FY25

Source: Company, MOFSL

Exhibit 17: Retail portfolio could generate EBITDA of INR34b by FY27E

Source: Company, MOFSL

Exhibit 18: Changes to our estimates

(INR b)	Old		New		Change	
	FY25E	FY25E	FY25E	FY26E	FY25E	FY26E
Revenue	41	47	40	47	-3%	0%
EBITDA	25	29	24	29	-4%	0%
Adj. PAT	12	15	11	15	-11%	-4%

Source: Company, MOFSL

Valuation and view

We value PHNX based on an SoTP valuation:

- **Retail assets:** We adopt a multiple-based approach, valuing the retail business at a blended EV/EBITDA of 21x (20x for matured malls and 25x for new malls), implying a value of INR500b for the mall portfolio.
- **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 an NPV with WACC of 11%.

Based on the above SoTP approach, we arrive at a gross asset value of INR589b. Netting of FY25E net debt of INR15b, we derive NAV of INR575b or INR3,220 per share, indicating fair valuation.

Exhibit 19: Our SoTP-based approach implies fair valuation

Nav Calculation	Rationale	per share		
		INR b	(INR)	%
Retail - Operational	Blended EV/EBITDA of 21x on Mar'26E	367	2,137	66%
Retail - Ongoing	25x EV/EBITDA on Mar'26E adjusted for pending capex	133	774	24%
Total Retail		500	2,910	90%
Office - Operational	Mar'26E EBITDA discounted at a cap rate of 8-9%	18	105	3%
Office - Ongoing	Steady-state EBITDA at a cap rate of 7.5%, discounted back to Mar'26 using a WACC of 12%	24	140	4%
Total Office		42	245	8%
Hospitality	EV/EBITDA multiple of 12-15x on Mar'26E EBITDA	30	175	5%
Residential	NPV at WACC of 12%	17	99	3%
Gross Asset Value		589	3,429	107%
Less: Net Debt	FY25E	(15)	(86)	-3%
Net Asset Value		575	3,220	100%
CMP			3,126	
Up/down			3%	

Financials and Valuation

Consolidated - Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	19,411	10,450	14,835	26,383	39,777	40,057	46,695
Change (%)	-2.0	-46.2	42.0	77.8	50.8	0.7	16.6
Cost of Materials/Construction	1,959	769	1,030	1,489	5,212	3,205	3,736
Employees Cost	1,655	1,125	1,569	2,325	2,989	3,405	3,736
Other Expenses	6,126	3,614	4,896	7,381	9,807	9,752	10,280
Total Expenditure	9,740	5,508	7,496	11,194	18,009	16,362	17,751
% of Sales	50.2	52.7	50.5	42.4	45.3	40.8	38.0
EBITDA	9,671	4,942	7,339	15,189	21,768	23,695	28,944
Margin (%)	49.8	47.3	49.5	57.6	54.7	59.2	62.0
Depreciation	2,076	2,094	1,859	2,278	2,702	3,692	3,995
EBIT	7,595	2,848	5,481	12,911	19,066	20,003	24,949
Int. and Finance Charges	3,478	3,478	2,945	3,412	3,959	3,622	3,184
Other Income	585	923	744	1,163	1,322	1,289	1,827
PBT bef. EO Exp.	4,702	292	3,280	10,663	16,429	17,669	23,591
EO Items	78	0	0	6,052	0	0	0
PBT after EO Exp.	4,780	292	3,280	16,714	16,429	17,669	23,591
Total Tax	1,221	-47	801	1,989	3,166	4,439	5,926
Tax Rate (%)	25.4	-16.0	24.4	18.7	19.3	25.1	25.1
Share of associate	-538	138	202	51	65	648	689
Minority Interest	-326	-99	308	1,426	2,335	3,025	3,508
Reported PAT	3,347	576	2,374	13,350	10,993	10,853	14,846
Adjusted PAT	3,297	576	2,374	7,298	10,993	10,853	14,846
Change (%)	-13.7	-82.5	311.8	207.5	50.6	-1.3	36.8
Margin (%)	17.0	5.5	16.0	27.7	27.6	27.1	31.8

Consolidated - Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	307	344	357	357	357	357	357
Total Reserves	38,268	50,044	65,468	83,440	94,220	1,04,537	1,18,848
Net Worth	38,575	50,388	65,825	83,797	94,577	1,04,894	1,19,205
Minority Interest	10,660	11,014	24,288	26,963	29,297	42,431	53,554
Total Loans	43,084	40,626	39,821	42,593	46,392	36,392	36,392
Deferred Tax Liabilities	-585	-1,215	-1,209	1,238	3,250	3,250	3,250
Capital Employed	91,734	1,00,812	1,28,725	1,54,591	1,73,516	1,86,968	2,12,401
Gross Block	75,124	84,595	89,428	1,23,156	1,51,016	1,70,066	1,77,366
Less: Accum. Deprn.	14,309	15,582	17,409	19,687	22,389	26,082	30,077
Net Fixed Assets	60,815	69,013	72,019	1,03,468	1,28,626	1,43,984	1,47,288
Goodwill on Consolidation	3,058	3,058	3,058	6,176	6,203	6,203	6,203
Capital WIP	15,343	12,740	20,486	22,947	15,033	12,378	16,402
Total Investments	5,913	5,756	23,173	12,823	17,253	17,901	18,590
Curr. Assets, Loans&Adv.	19,096	22,110	23,354	28,843	29,174	36,911	58,577
Inventory	8,161	7,682	7,498	12,117	7,817	11,207	12,158
Account Receivables	2,058	3,237	2,799	2,382	2,700	4,390	5,117
Cash and Bank Balance	1,407	5,139	5,926	6,302	7,096	9,298	27,293
Loans and Advances	7,470	6,053	7,131	8,041	11,560	12,017	14,009
Curr. Liability & Prov.	12,490	11,865	13,366	19,665	19,317	26,953	31,203
Account Payables	1,101	950	1,299	1,585	2,052	2,690	2,918
Other Current Liabilities	10,628	9,580	10,499	16,251	15,178	20,028	23,348
Provisions	761	1,335	1,568	1,829	2,087	4,235	4,937
Net Current Assets	6,606	10,245	9,988	9,178	9,857	9,958	27,374
Appl. of Funds	91,735	1,00,812	1,28,725	1,54,592	1,73,517	1,86,968	2,12,402

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)							
EPS	21.5	3.4	13.3	40.9	61.6	60.8	83.2
Cash EPS	35.0	15.5	23.7	53.6	76.7	81.5	105.5
BV/Share	251.4	293.2	368.7	469.4	529.8	587.6	667.7
DPS	3.3	0.0	1.0	2.4	2.7	3.0	3.0
Payout (%)	16.6	0.0	7.2	3.2	4.4	4.9	3.6
Valuation (x)							
P/E	96.2	616.7	155.5	50.6	49.4	50.0	36.6
Cash P/E	59.1	133.1	87.2	38.5	39.6	37.3	28.8
P/BV	8.2	7.1	5.6	4.4	5.7	5.2	4.6
EV/Sales	18.5	37.4	27.2	15.4	14.6	14.2	11.8
EV/EBITDA	37.1	79.1	54.9	26.7	26.7	24.0	19.1
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	12.3	10.9	13.2
RoCE	7.7	5.1	4.8	9.9	12.3	11.3	13.5
RoIC	8.2	4.5	5.3	11.0	12.5	10.6	12.6
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	72	102	95
Debtor (Days)	39	113	69	33	25	40	40
Creditor (Days)	21	33	32	22	19	25	23
Leverage Ratio (x)							
Interest Cover Ratio	2.2	0.8	1.9	3.8	4.8	5.5	7.8
Net Debt/Equity	1.1	0.7	0.5	0.4	0.4	0.3	0.1

Consolidated - Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
(INR m)							
OP/(Loss) before Tax	4,702	292	3,280	16,714	16,429	17,669	23,591
Depreciation	2,076	2,094	1,859	2,278	2,702	3,692	3,995
Interest & Finance Charges	3,478	3,478	2,945	2,249	2,637	2,333	1,357
Direct Taxes Paid	-1,082	124	-577	-1,989	-3,166	-4,439	-5,926
(Inc)/Dec in WC	-1,422	-974	713	1,187	115	2,101	579
CF from Operations	7,752	5,015	8,220	20,439	18,717	21,357	23,597
Others	-366	-696	-414	-6,052	0	0	0
CF from Operating incl EO	7,386	4,319	7,806	14,387	18,717	21,357	23,597
(Inc)/Dec in FA	-7,417	-6,903	-12,271	-13,138	-6,810	-16,395	-11,324
Free Cash Flow	-30	-2,583	-4,465	1,249	11,907	4,962	12,273
(Pur)/Sale of Investments	3,115	-3,008	-17,417	0	0	0	0
Others	684	409	1,277	1,163	1,322	1,289	1,827
CF from Investments	-3,618	-9,502	-28,412	-11,975	-5,488	-15,107	-9,497
Issue of Shares	46	10,907	96	0	0	0	0
Inc/(Dec) in Debt	647	-2,458	-805	2,772	3,800	-10,000	0
Interest Paid	-3,025	-3,680	-2,795	-3,412	-3,959	-3,622	-3,184
Dividend Paid	-556	-3	-174	-428	-482	-536	-536
Others	18	451	25,954	6,124	2,950	10,108	7,615
CF from Fin. Activity	-2,871	5,217	22,276	5,055	2,309	-4,049	3,895
Inc/Dec of Cash	898	35	1,670	7,468	15,538	2,201	17,995
Opening Balance	396	1,293	1,328	2,998	10,241	25,779	27,980
Closing Balance	1,293	1,328	2,998	10,465	25,779	27,980	45,975

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