MOTILAL OSWAL

Initiating Coverage | 18 April 2018
Sector: Real Estate

Phoenix Mills

The Specialist

Chintan Modi - Research Analyst (Chintan.Modi@motilaloswal.com); +91 22 6129 1554
Darshit Shah - Research Analyst (Darshit.Shah@motilaloswal.com); +91 22 6129 1546

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Contents: Phoenix Mills| The Specialist

Phoenix Mills

BSE Sensex	S&P CNX
34,395	10,549

CMP: INR606 **TP: INR732 (+21%)** **Buy**

The Phoenix Mills Limited

Stock Info

Bloomberg	PHNX IN
Equity Shares (m)	153.1
52-Week Range (INR)	717 / 385
1, 6, 12 Rel. Per (%)	-6/-1/27
M.Cap. (INR b)	92.2
M.Cap. (USD b)	1.4
Avg. Val, INRm	76.0
Free float (%)	37.2

Financial Snapshot (INR b)

Y/E Mar	FY18E	FY19E	FY20E
Sales	16.2	18.9	21.3
EBITDA	7.7	9.2	10.5
NP	2.2	3.2	4.0
EPS (INR)	14.1	20.9	26.3
EPS Gr. (%)	28.4	48.1	26.2
BV/Sh. (INR)	187.5	236.9	260.6
RoE (%)	8.5	9.8	10.6
RoCE (%)	6.6	7.4	8.1
P/E (x)	43.0	29.0	23.0
P/BV (x)	3.2	2.6	2.3

Shareholding pattern (%)

As On	Dec-17	Sep-17	Dec-16
Promoter	62.8	62.9	62.9
DII	2.8	2.2	3.3
FII	29.8	30.1	30.0
Others	4.6	4.8	3.9

FII Includes depository receipts

Phoenix Mills

The Specialist

Chintan Modi
Chintan.Modi@motilaloswal.com

Please click here for Video Link

Phoenix Mills (PHNX) has an operational history of more than 100 years. A textile manufacturer at inception, the company has reinvented itself as a retail-led mixed-use mall developer. Its diversified portfolio of businesses comprises: (a) Retail mall development (enjoys a leadership position in cities where it operates) and (b) Hospitality, Residential and Commercial (together contributed 35% of revenue as of FY17).

The Specialist

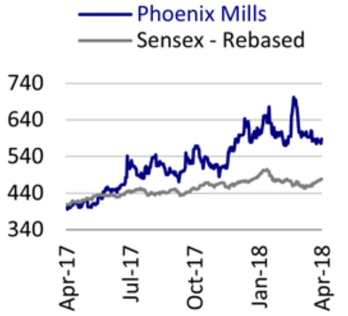
Carving a niche by tapping the untapped

- **PHNX – a pioneer in developing and operating malls – has become a partner of choice for retailers in India due to its impressive track record of consumption-led growth and strong portfolio of eight malls (6msf) spread across the top cities in India. This apart, the company specializes in mall management, an area where its competitors lag. Thus, we believe that it offers a unique opportunity for any retailer (both domestic and global) looking to expand rapidly in India. All this makes PHNX a 'specialist' play on India's promising consumption growth story, in our view.**
- **CPPIB has recently infused equity capital of INR16.6b (in tranches) in its subsidiary, Island Star Developers, and with leverage of 1:1, it will create a war chest of INR32b, gearing up the company for the next leg of growth. PHNX plans to acquire and build up to four new malls.**
- **We expect PHNX to generate cash flows from operations of INR23.8b over FY18-20. These cash flows can be deployed toward (i) acquiring ready/under-construction mall, (ii) unlocking development potential of 4.6msf in its existing land parcels and (iii) reducing debt.**
- **We expect PHNX to record a CAGR (FY18-20) of 15% in revenue, 16% in EBITDA and 37% in PAT. We value the company's retail assets assuming a cap rate of 8%. We initiate coverage on PHNX with a Buy rating and an SOTP-based target price of INR732 (upside 21%).**

A partner of choice for retailers in India

PHNX is one of the leading mall developers and operators in India, with presence across six cities (~6msf of retail space). The company's flagship High Street Phoenix Mall – which commenced operations in 1999 in Mumbai – has increased rental income at a 12% CAGR over FY13-17. Importantly, the company has been able to replicate this success in other major cities of India. Uniquely, PHNX participates over the entire lifecycle of malls (with specialization in mall management), which has helped it deliver robust consumption-led retail revenue CAGR of 16%, from INR4.2b in FY13 to INR7.7b in FY17. The company's success in the mall business can largely be ascribed to its expertise in acquisition of attractive land parcels, mall design, tenant mix, identification of consumer trends, and data analytics. Thus, we believe that PHNX offers a unique opportunity for any retailer to expand rapidly in India. We expect retail leasing income to grow at a CAGR of 15% over FY17-20, post which growth is likely to be driven by the launch of new malls under the CPPIB platform.

Stock Performance (1-year)



CPPIB deal – preparing for the next leg of growth

CPPIB recently infused equity capital of INR16.6b (in tranches) in the company's subsidiary, Island Star Developers (for a 49% stake), which houses its Bangalore mall. CPPIB has infused capital by valuing its Bangalore mall at a 6.25% cap rate. With leverage of 1:1, Island Star will have a robust war chest of INR32b, through which it plans to acquire and build up to four new malls (recently acquired a land parcel in Pune with 1.8msf of development potential). Additionally, CPPIB will provide fees for mall management, project management and lease renewals, ensuring consistent cash inflows. All this should strengthen PHNX's position in India's malls segment.

Expect strong cash flows from operations going forward

With the next leg of growth being fully funded via the CPPIB deal and also minority buyouts now complete, PHNX's existing mall and commercial properties are expected to generate strong free cash flows. Over the last four years, PHNX has spent INR13.3b toward acquiring minority stakes in its subsidiaries, which operate various malls. Additionally, its residential projects of 3.3msf have already garnered an amount equal to its estimated total cost of projects. Therefore, unsold stock and pending collections should help generate strong cash flows. We expect PHNX to generate cash flow from operations of INR23.8b over FY18-20, which can be deployed toward (i) acquiring ready/under-construction malls, (ii) unlocking development potential of 4.6msf in its existing land parcels and (iii) reducing debt.

PAT to grow at 37% CAGR to INR4b over FY18-20

We expect PHNX to deliver revenue CAGR (FY18-20) of 15% to INR21.3b, mainly driven by retail segment revenue CAGR of 12% to INR13.3b, contributing 62% of total revenue in FY20. Growth in retail is largely attributed to (i) upcoming renewals across malls and (b) scale-up in commercial assets. We expect EBITDA CAGR of 16% and PAT CAGR of 37% over FY18-20. PAT is expected to grow at a faster pace, mainly due to a decline in interest cost from INR3.6b in FY18 to INR3b in FY20. Growth over the next two years is expected to be driven by the sweating of existing assets. Growth from the Pune mall (under CPPIB deal) will commence from FY22.

Initiating with a Buy

We see huge growth opportunity in India's retail industry, which is expected to reach a size of USD2t by 2020, growing at a CAGR of 12%. We believe that PHNX is a unique way to play India's retail growth story. Moreover, clarifications and issues surrounding REITs are now behind, and we expect India to attract strong inflows, where PHNX can become a great choice. We prefer PHNX due to its a) strong operational performance (which provides a competitive edge), b) scalability (through the CPPIB deal), and c) robust cash generation (leading to a reduction in gearing and providing opportunities to acquire new malls). The stock trades at a PE of 29x/23x FY19/20E, P/BV of 2.6x/2.3x FY19/20E and EV/EBITDA of 13.7x/11.4x respectively. We value retail assets based on NAV approach, assuming a cap rate of 8% and a discount rate of 13%. We initiate coverage on PHNX with a **Buy** rating and an SOTP-based target price of INR732 (upside 21%).

Potential changes in regulations pose a key risk to our thesis

Recent issues related to the Kamla Mills fire have raised a concern about fire & safety at public places. However, our interaction with management suggests that company already has processes in place to ensure that it is compliant with fire & safety and other regulatory (local authority approvals) norms. For example:

- PHNX gets third- party fire & safety audits done for every mall – this is reviewed on a regular basis by the board as well as Managing Director Mr Atul Ruia.
- PHNX houses large MNC retailers like Zara, GAP and H&M, which themselves have strict due diligence processes in place to ensure compliance with the global standards.

Despite this, we believe that food & beverages (F&B) outlets – due to their nature of operations – are still to some extent exposed to fire & safety risks. F&B occupies ~12% mall space across PHNX malls. However, we do not rule out potential systemic risk.

Company overview

PHNX began operations as a textile manufacturing company in 1905 on 17 acres of land in Lower Parel (Mumbai). However, in 1987, PHNX largely exited the textile sector, and entered into Mumbai's real estate market with the development of the High Street Phoenix (HSP) center in 1999 on its textile mill property in Lower Parel. HSP was the first consumption center developed by the Phoenix Group in India. PHNX now has retail-led developments across India, and has also included hospitality, commercial and residential assets in its portfolio. Besides, the company has forayed into food & beverages with its brands 212, Shizu San and Bar Bar through its nine stores. PHNX now has a rental asset portfolio of ~6msf, comprising eight malls spread across six gateway cities.

PHNX's existing real estate development portfolio primarily comprises retail-led, mixed-use developments at prime locations, along with a number of other standalone residential/commercial developments. PHNX has presence across Mumbai, Chennai, Bengaluru, Pune, Lucknow, Bareilly and Agra. The company's operations typically encompass most functions of real estate development – from land acquisition, planning (including liaison and approvals), execution and marketing of projects, to management, maintenance and sales of the completed projects.

Exhibit 1: PHNX's evolution into retail mall developer

1999-2005
- Evolution of HSP from an entertainment and gaming hub to a shopping and entertainment destination
- Foundation stone for the concept of creating urban consumption hubs

2006-2012
- Large, city-centric land parcels acquired for creating integrated, retail-led mixed use destination
- In Phase I of development, operationalized Phoenix MarketCity malls in Pune, Bangalore, Mumbai and Chennai

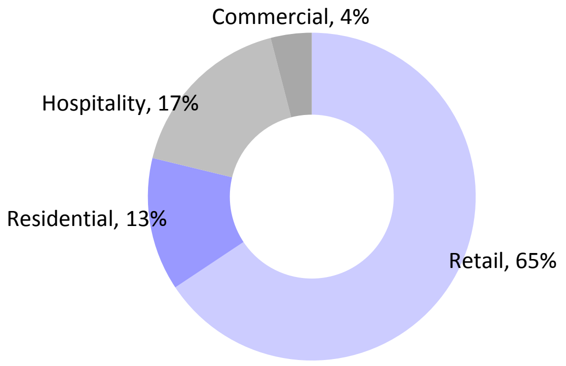
2013-2017
- Focused on establishing MarketCity malls as market leaders in the respective cities
- Operationalized asset classes of residential, commercial & hospitality as complements to existing retail developments
- Progressively consolidated equity stakes across assets

Future
- Aim to double retail portfolio to 12msf from the current 6msf
- Established strategic platform with CPPIB for retail-led, mixed use developments in India
- First land purchased with CPPIB in Pune with developable area of 1.8msf for INR2.3b

Source: Company, MOSL

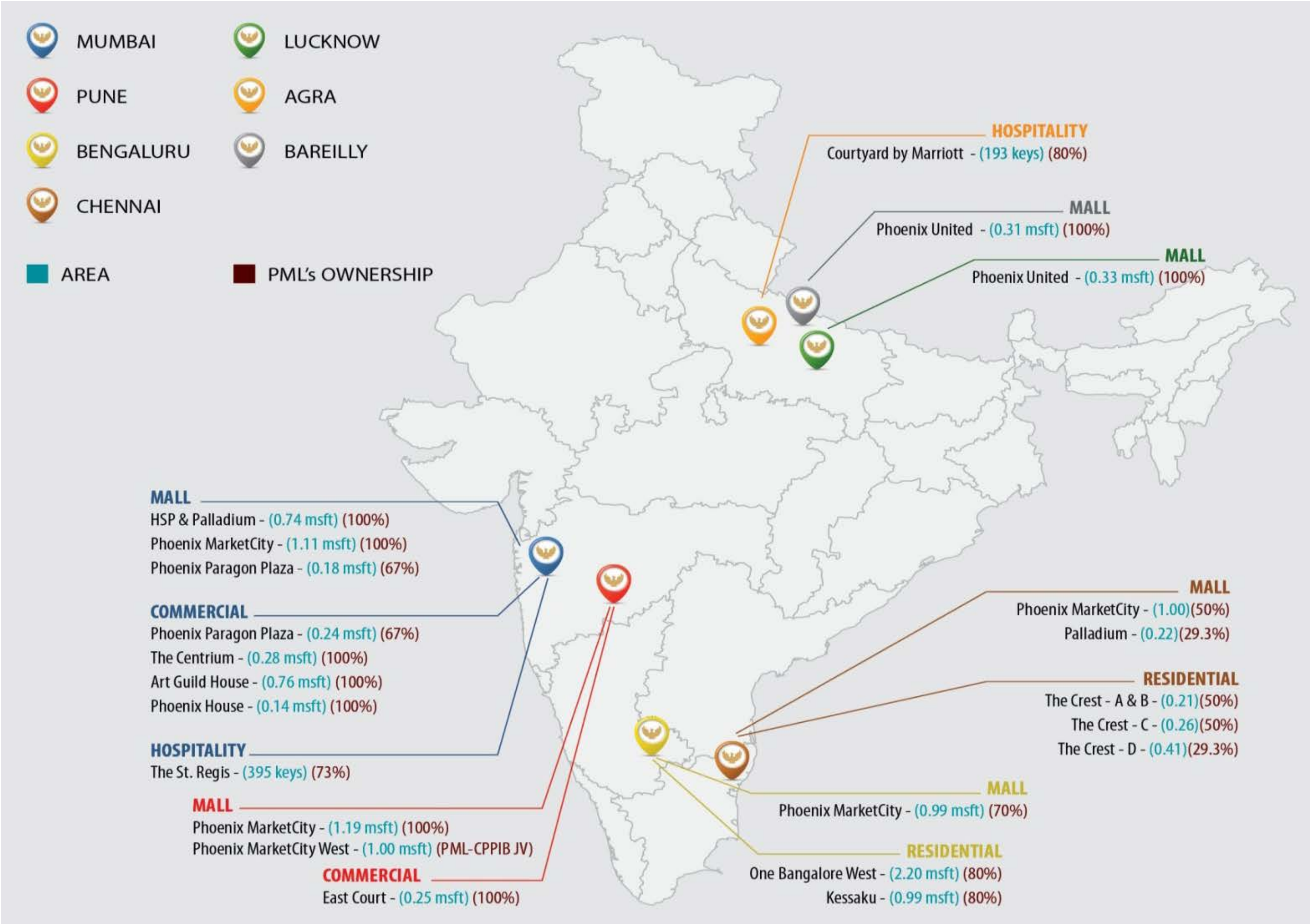
PHNX has developed its asset portfolio primarily through joint ventures with strategic investors/regional developers to support growth of its asset-heavy malls. Historically, PHNX has also bought minority stakes in SPVs. The company has raised INR16.6b (in tranches) from CPPIB through equity infusion for a 49% stake in its Bengaluru SPV to fund brownfield/greenfield growth opportunities in the retail space. PHNX's strategy is to operate retail malls in city center locations, where it commands a leadership position.

Exhibit 2: Retail income contributes 65% of PHNX's total revenue (FY17)



Source: Company, MOSL

Exhibit 3: PHNX's portfolio of assets in key gateway cities



Source: Company, MOSL

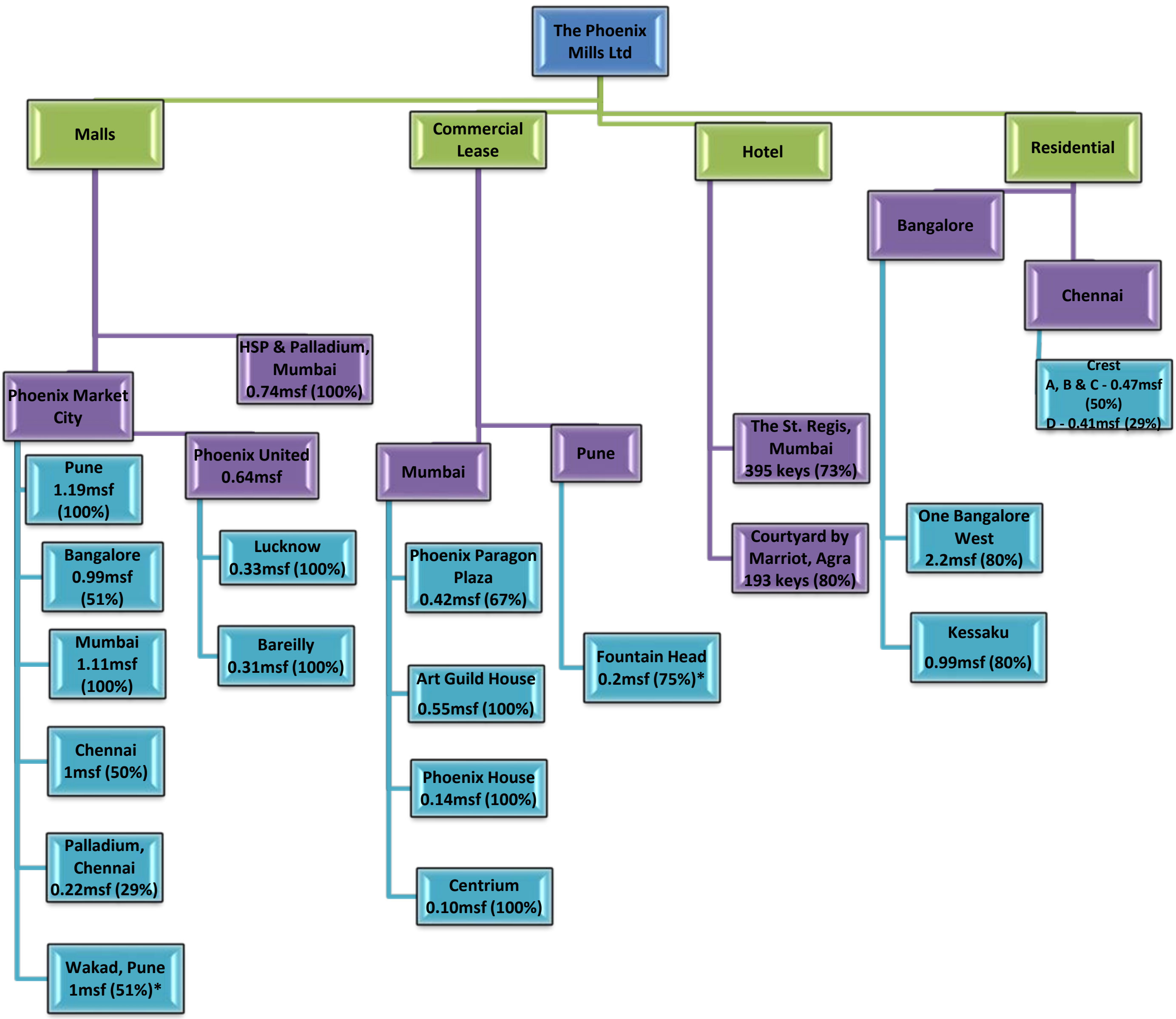
Exhibit 4: Key performance indicators of PHNX's malls

	HSP & Palladium	Phoenix Market City				Phoenix United		Palladium
	Mumbai	Bangalore	Chennai	Mumbai	Pune	Bareilly	Lucknow	Chennai
Leasable Area (msf)	0.74	0.99	1	1.11	1.19	0.31	0.33	0.22
Total No. of Stores	269	296	261	317	341	147	128	Opening in 4QFY18
Average Rentals (INRpsf) *	313	104	125	81	102	60	72	
Trading Occupancy (%) *	92%	92%	94%	89%	91%	81%	81%	
Leased Occupancy (%) **	96%	97%	99%	93%	96%	83%	91%	

Source: Company, MOSL

*Average for quarter ended March 2017 **As on March 2017; Trading Occupancy refers to mall space occupied by operating tenants ; Leased Occupancy shall also include mall space occupied by tenants which are under fit outs

Exhibit 5: PHNX's portfolio of assets



*Under construction

Source: Company, MOSL

Real estate-backed retail play

With ~6msf of mall area, PHNX is India's largest mall developer

- **PHNX is one of the leading mall developers and operators in India, with presence across six cities (6msf of retail space). The company's flagship 'High Street Phoenix Mall' in Mumbai has grown its rental income by 12% CAGR over FY13-17 to INR2.8b, and importantly, the company has been able to replicate this success in other major cities of India.**
- **Uniquely, PHNX participates over the entire lifecycle of malls (with specialization in mall management), which has helped it deliver robust consumption-led retail revenue CAGR of 16%, from INR4.2b in FY13 to INR7.7b in FY17.**
- **The company's success in the mall business can largely be ascribed to its expertise in acquiring attractive land parcels, mall design, tenant mix, identification of consumer trends, and data intelligence.**
- **Thus, we believe PHNX offers a unique opportunity for any retailer to expand rapidly in India, making it a partner of choice. We expect retail leasing income to grow at CAGR of 15% over FY17-20E, post which growth is likely to be driven by the launch of new malls under the CPPIB platform.**

PHNX - largest mall operator in India

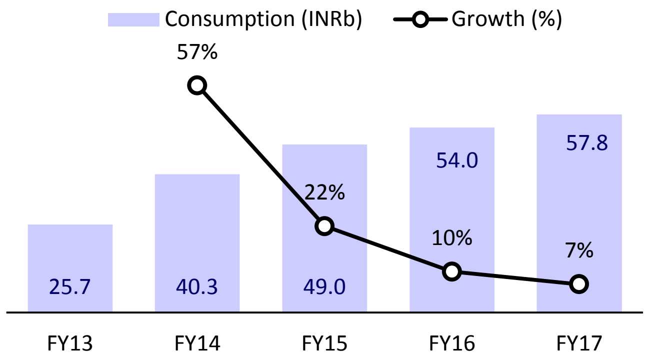
PHNX is one of India's leading developers, owners and operators of retail assets. It also holds one of the largest retail portfolios among listed companies in India, with eight retail properties (~2,000 stores) across many large cities. PHNX has eight malls in six gateway cities in India. Consumption at its malls has increased at a CAGR of 22% to INR58b over FY13-17. Additionally, the company is coming up with a new mall in Wakad (Pune) by FY22, with 1msf of leasable area.

Exhibit 6: PHNX's mall portfolio is spread across 6.89msf (incl. upcoming)

Malls	PHNX's share	Area (msf)
HSP & Palladium Mall, Mumbai	100%	0.74
PMC, Mumbai	100%	1.11
PMC, Pune	100%	1.19
PMC, Bangalore	51%	0.99
PMC, Chennai	50%	1.00
Phoenix United, Lucknow	100%	0.33
Phoenix United, Bareilly	100%	0.31
Palladium, Chennai	29%	0.22
Pune Wakad Mall (Upcoming)	**51%**	**1.00**
Total		**6.89**

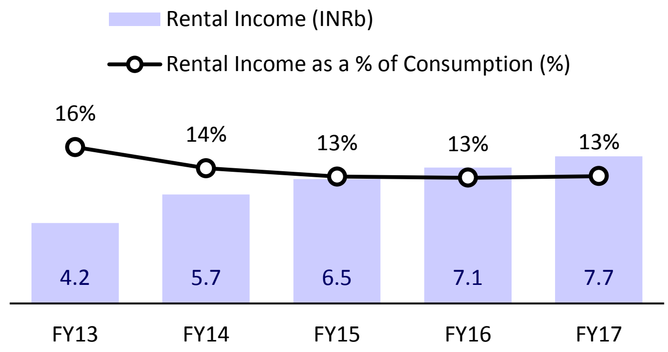
Source: Company, MOSL

Exhibit 7: Consumption grew at CAGR of 22% over FY13-17



Source: Company, MOSL

Exhibit 8: Rental income grew in line with consumption…



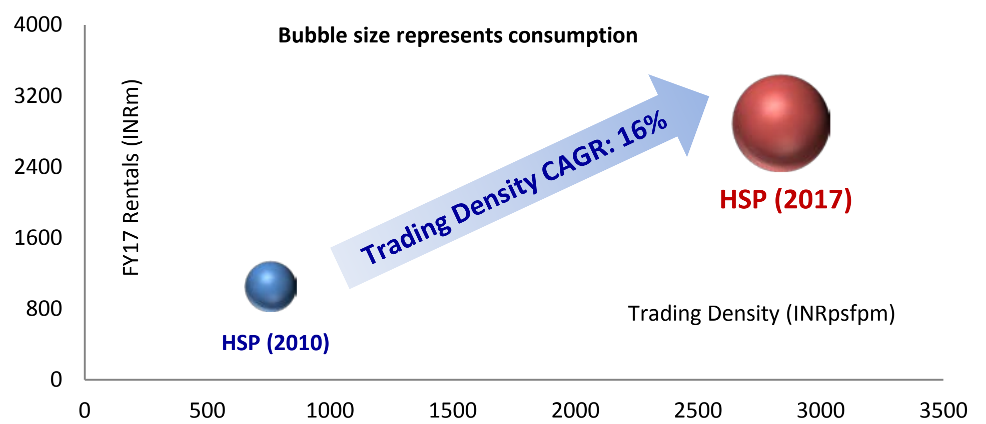
Source: Company, MOSL

High Street Phoenix (HSP) - PHNX's flagship mall depicts management's mall management capabilities

HSP was among the first developments in India to combine retail & entertainment, commercial, hotel and residential properties into an integrated lifestyle destination. HSP's performance has been impressive, and the company is using its market expertise and brand name to replicate the success of HSP in other parts of Mumbai as well as other cities in India (via its Phoenix Market City, Phoenix United, residential, commercial and hospitality projects).

As a result of rapid development and its central location between South Mumbai and suburbs, Lower Parel emerged as a viable alternative to the South Mumbai business district for commercial and retail purposes. High Street Phoenix Mall, Palladium Mall, St. Regis Hotel and Phoenix Tower residential apartments are located on the 17 acre land parcel in Lower Parel. There are over 270 stores at High Street Phoenix and Palladium which are divided among distinct areas: Skyzone, Grand Galleria, Grand Galleria Annexe, Courtyard and Palladium. These areas were developed and operationalized in phases over a period of time, with the final retail space (Palladium) commencing operations in 2009.

Exhibit 9: HSP mall trading density grew at a 16% CAGR over 2010-17

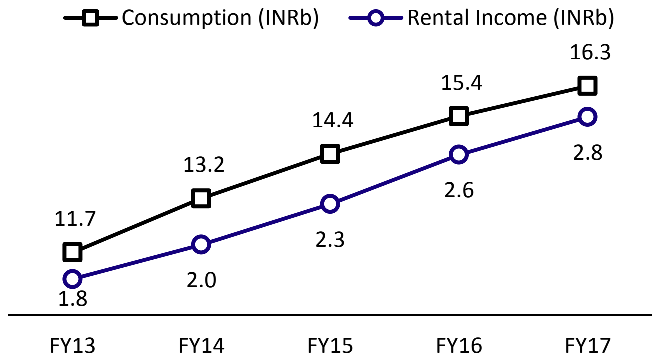


Source: Company, MOSL

*Trading density refers to sales psf pm

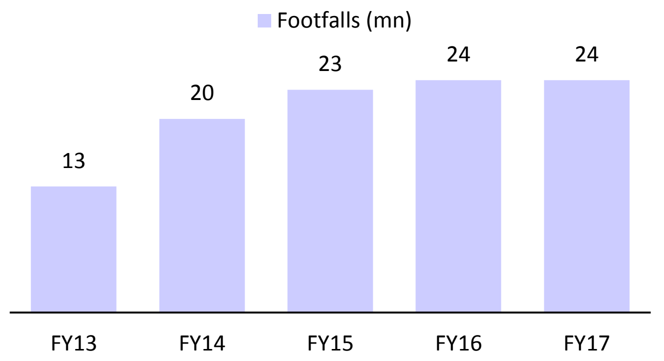
HSP & Palladium Mall, Mumbai has exhibited a strong track record

Exhibit 10: Rentals have grown in line with consumption



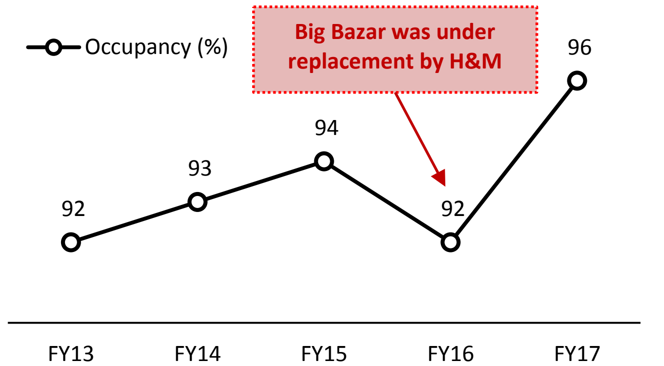
*Consumption = Revenue of tenants Source: Company, MOSL

Exhibit 11: Footfall nearly doubled over FY13-17



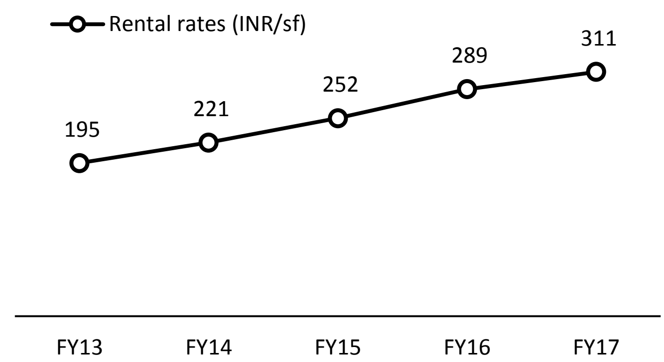
Source: Company, MOSL

Exhibit 12: Occupancy level over FY13-17



Source: Company, MOSL

Exhibit 13: Rentals psf grew at 12% CAGR over FY13-17



Source: Company, MOSL

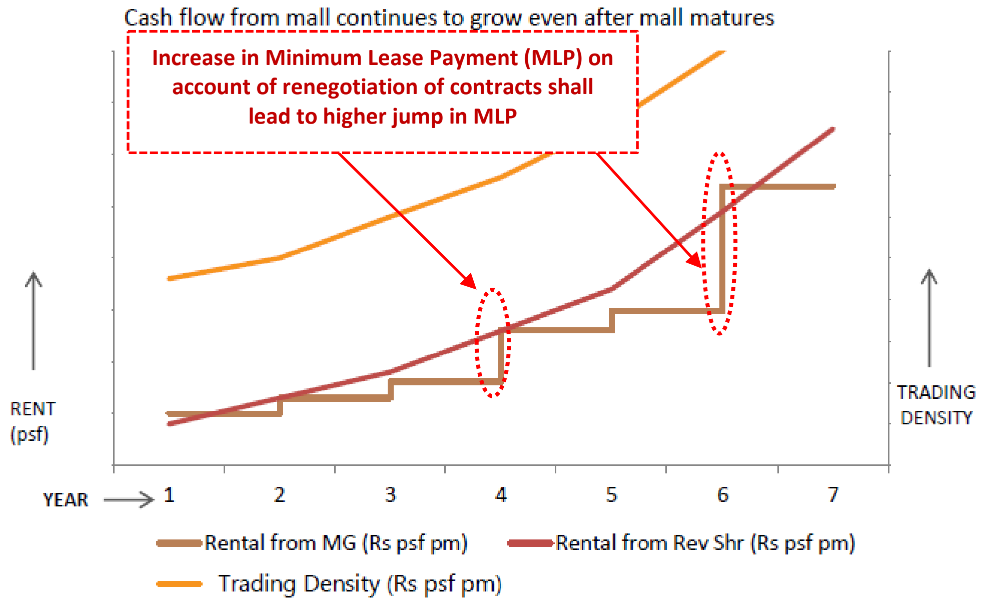
PHNX - a direct entry point for retailers to access key markets across India

- With its malls located across India, PHNX acts as a key partner for retailers planning to enter/expand presence in India. The company's standing as a large pan-India mall operator makes it a preferred destination of choice for any premium domestic or global brand looking for a multi-city entry strategy. Association with a name like PHNX enables such brands to enter multiple key consumption centers of Mumbai, Pune, Bengaluru and Chennai. PHNX gives them the opportunity to capture discerning customers at a scale impossible for other retail centers to match.
- Retailers' confidence on PHNX is evident from the company's longstanding relationships with several domestic and global retail brands such as Zara, Diesel, Lifestyle and PVR Cinemas. Such relationships may help PHNX to secure retail clients for its new developments (especially for large spaces) at suitable rates. An anchor retailer typically occupies 45-50% of the mall space.
- PHNX's mall operations and management team's focus on increasing consumer spend by employing several marketing and promotional initiatives. We believe such steps ensure (i) higher footfalls in targeted categories and (ii) increased per capita spend.
- In our view, PHNX should be able to leverage the long-standing presence in this market segment and maximize the potential of a particular catchment area by bringing together appropriate retail clients.

Lease agreements include variable components linked to retailer performance

PHNX regularly evaluates the retail client mix at its properties to ensure that it caters to the consumption and spending patterns of customers. **A majority of the leases across its retail properties are structured in a way that PHNX receives the higher of fixed guaranteed license fee/rental income, as applicable, or a percentage of revenue generated by the retail client, with such fixed guaranteed license fee/rental rate generally increasing on a percentage basis annually with a further higher percentage increase after, for example, three to five years. This assures the company of minimum guaranteed license fees/rental income, as applicable, across its retail properties, while aligning the company's interest with that of retail clients through revenue share arrangements.** With this model, PHNX's license fees and rental income collected, as applicable, can rise in tandem with consumption.

Exhibit 14: Revenue cycle of mall; generally minimum lease guarantee escalates by 15-18% at the end of 3rd year and 5-7% annually



Source: Company, MOSL

Exhibit 15: Pune Wakad land with 1.8msf of development potential

Particulars	
PMC Wakad Mall Leasable Area (msf)	1
Land Cost and TDR (INR m) (Proportionate)	1,667
Project cost (including construction cost) (INR m)	4,500
Total Cost of Mall (INR m)	**6,167**

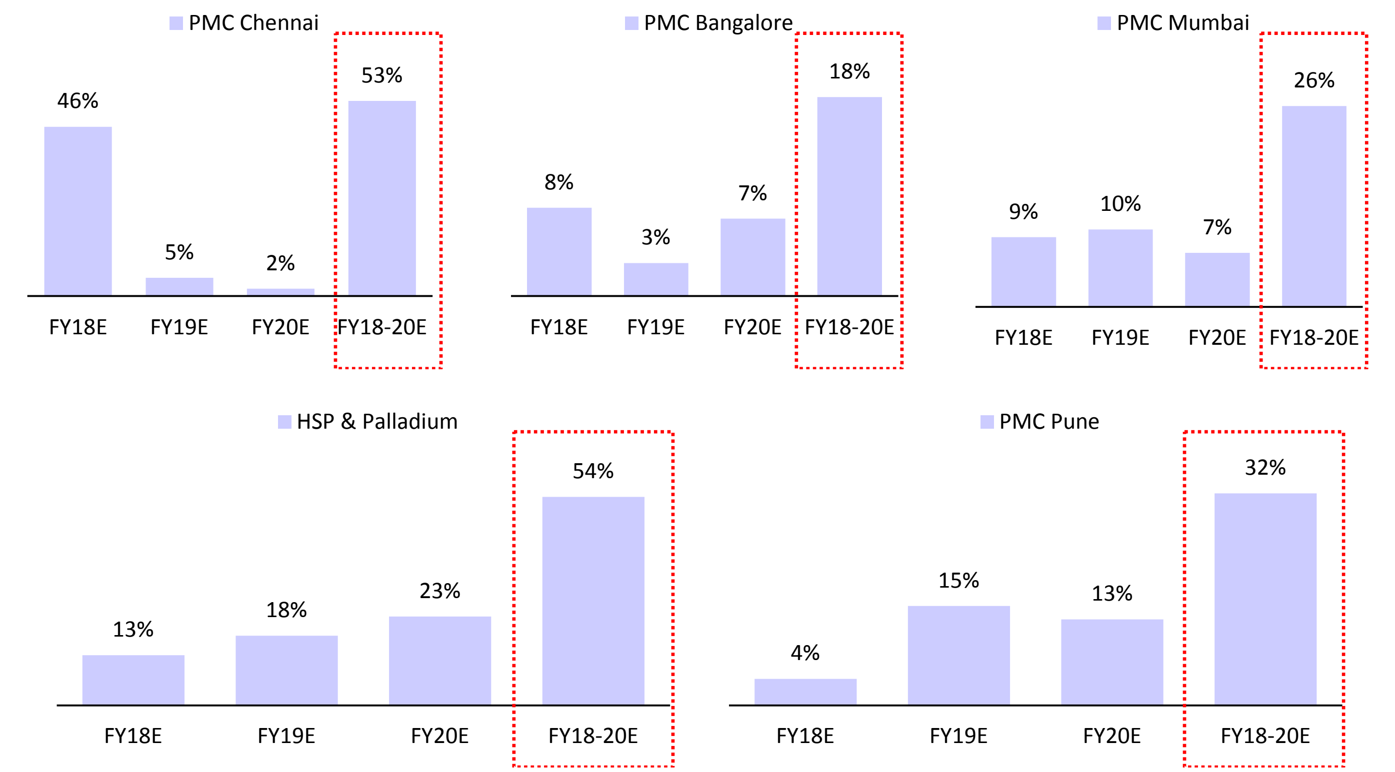
Source: MOSL

Exhibit 16: Pune Wakad is expected to make an IRR of 21%

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Land cost (INR m)	(1,667)									
Project cost (INR m)	0	(1,575)	(1,575)	(1,350)						
Total Outflow (INR m)	(1,667)	(1,575)	(1,575)	(1,350)						
Occupancy (%)					50%	75%	90%	95%	95%	95%
Lease Rent (INR psfpm) (Growth @ 8%)					135	146	157	170	184	198
Lease Rent (INR m)					810	1,312	1,701	1,939	2,094	2,261
CAM Charges (45%) (INR m)					365	590	765	872	942	1,018
Parking and Advertising Income (INR m)					28	46	77	97	115	113
Total (INR m)					1,203	1,949	2,542	2,908	3,151	3,392
Less: CAM Charges of lease rent (INR m)					(527)	(722)	(765)	(872)	(942)	(1,018)
Less: Marketing & Maintenance Cost (INR m)					(61)	(98)	(111)	(116)	(115)	(113)
Grand Total (INR m)					**616**	**1,128**	**1,667**	**1,919**	**2,094**	**2,261**
EBITDA Margin (%)					**76%**	**86%**	**98%**	**99%**	**100%**	**100%**
Rental Yield on Total Mall Cost (%)					**10%**	**18%**	**27%**	**31%**	**34%**	**37%**
Net Cash flow (INR m)	**(1,667)**	**(1,575)**	**(1,575)**	**(1,350)**	**616**	**1,128**	**1,667**	**1,919**	**2,094**	**2,261**
Add: Terminal value at 8% cap rate (INR m)										**29,917**
Total (INR m)	**(1,667)**	**(1,575)**	**(1,575)**	**(1,350)**	**616**	**1,128**	**1,667**	**1,919**	**2,094**	**32,178**
Project IRR (%) 10 yrs, post tax	**21%**									

Rental leasing income to grow at 15% CAGR over FY17-20E driven by lease renewals spread over years

Exhibit 17: % of lease renewals due for various malls to drive growth in rentals ahead



Source: Company, MOSL

Exhibit 18: Brands associated with PHNX

Source: Company, MOSL

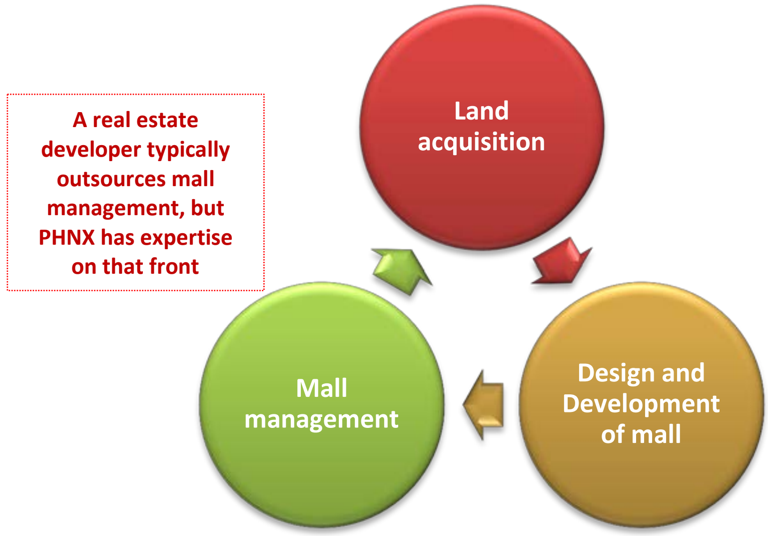
Not only a developer but also a mall manager – a key differentiator

A typical mall development cycle comprises three stages: (i) land acquisition, (ii) designing & development of mall and (iii) mall management. A typical real estate developer outsources mall management, but PHNX does this on its own, which, in our view, is a key differentiating factor.

Why managing mall mix stands critical for a mall developer?

PHNX shelters top retail brands from India and across the globe. It could be inferred that the company has indirectly linked its revenue with retailers, as the rental income of the company also comprises of a variable component linked to tenants' consumption. Hence, it becomes important for mall developers to manage the tenant mix well and enhance the customer experience.

Exhibit 19: Mall development cycle; typical RE developer exits post mall development



Source: MOSL

Exhibit 20: Typical space allocation across PHNX's malls

Particulars	% of mall space
Anchors	36%
Multiplex (Anchor)	7%
Food & Beverages (fine dining)	9%
Food court	3%
Family entertainment	8%
Inline stores	37%

Source: Company, MOSL

Relocating, resizing and churning out of retailers to manage retail mix

PHNX's team continuously monitors retailers' performance. In case the performance is not as desired, the leasing team takes actions to improve it. The following steps taken by PHNX clearly depict its mall managing skills.

Churning out

PHNX annually churns out 5-10% of its mall space based on the performance of the retailer. For example, leading fashion store in HSP and Palladium, Mumbai was replaced by several small retailers, which led to an increase in rentals as well. Departmental store was replaced by H&M, which resulted in an increase in consumption by 2x and in rentals by 3x.

Relocating

PHNX relocated a designer labels brand to the first floor of the Palladium mall, which led to an increase in sales for the retailer. PHNX too benefited from higher rentals.

Resizing

Initially, a departmental store in PMC Pune Mall had ~75,000sf, which was resized to ~50,000sf and now it has ~30,000sf. However, rental stands at 1.5-2x of initial rentals.

Initiatives taken by PHNX to attract crowd on weekdays as well

Malls usually witness low footfall on weekdays relative to weekends. PHNX has adopted several strategies to address this footfall gap between weekend and weekdays. Consequently, footfall now at PHNX's malls is higher by only 30-35% on weekends compared to weekdays. In comparison, other malls have 60-70% more crowds on weekends. Some initiatives taken to attract crowd on weekdays include:

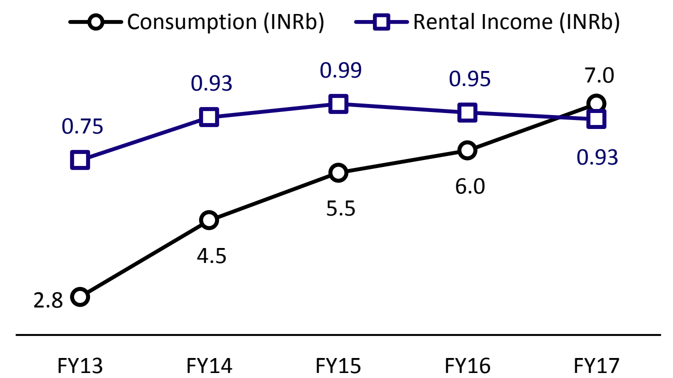
- Mid-week events like performance by singers/dancers, and drawing competitions for children, among others. PHNX ensures that it has at least one such event in at least one mall on weekdays.
- PHNX had planned to build the PMC Kurla mall three years after the Mumbai metro becomes operational. However, the metro became operational three years after mall construction. This significantly affected the mall dynamics. To subside this impact, PHNX has taken various initiatives (such as discounts for ladies kitty parties/dinners) to encourage customers to spend time at the mall.
- Idea behind creating 212, Bar Bar and Shizu San was to occupy the mall space or else customers would have a negative impression about the mall. As a matter of fact, the mall saw great traction from the new food & beverages outlets, which led to higher rentals.
- PHNX has a clear objective of developing retail-led, mixed-use developments that complement each other. For instance, PMC Kurla mall has succeeded in attracting crowd on weekdays, as it has several commercial developments in the vicinity.

Other key initiatives of PHNX that reflect its mall management skills

- PHNX invited artists to paint the parking walls in PMC Chennai so that customers experience something new whenever they visit the mall.
- PMC Kurla has dedicated spots where customers can click photos.
- Dedicated Uber and Ola desks for booking cabs.
- PHNX collects parking charges from customers upfront, but the same is reimbursed in the form of cash-back if the person shops.
- PHNX established CNG pipelines instead of LPG as they are safer and cheaper. For this, it received huge appreciation from food & beverages retailers.
- PHNX will establish solar panels in the PMC Bangalore mall, which will lead to 30-40% reduction in electricity costs for retailers.

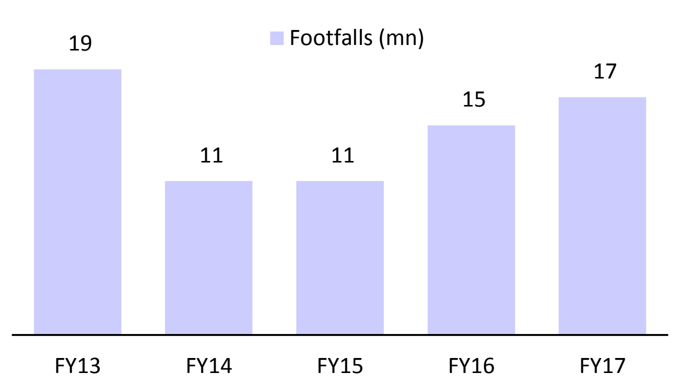
PMC Kurla – a laggard earlier has shown significant improvement

Exhibit 21: Consumption grew at CAGR of 25% over FY13-17



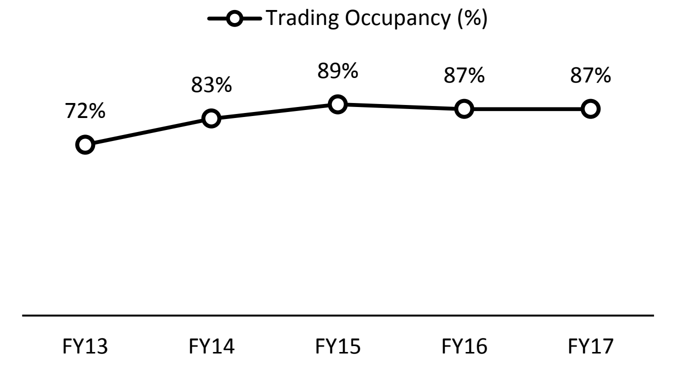
Source: Company, MOSL

Exhibit 22: Mall footfalls over FY13-17



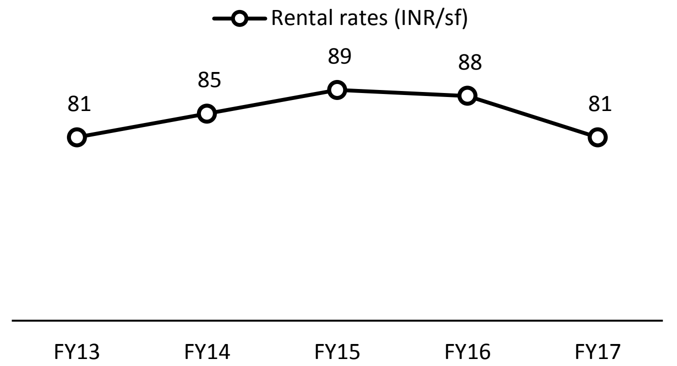
Source: Company, MOSL

Exhibit 23: Occupancy level increased over FY13-17



Source: Company, MOSL

Exhibit 24: Overall rentals psf has been muted over FY13-17

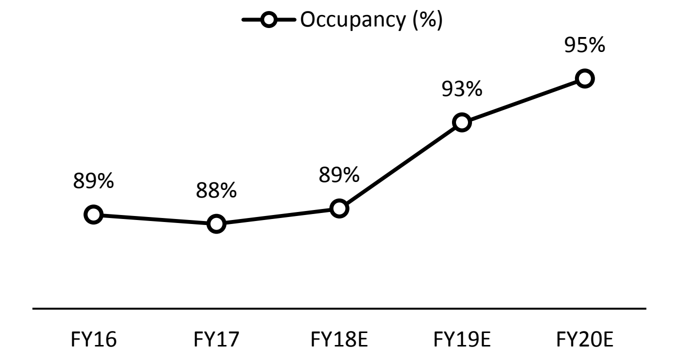


Source: Company, MOSL

*Initially when mall had been launched, rentals psf were agreed at a higher rate however during renewals revised rate were lower than the initially agreed rates.

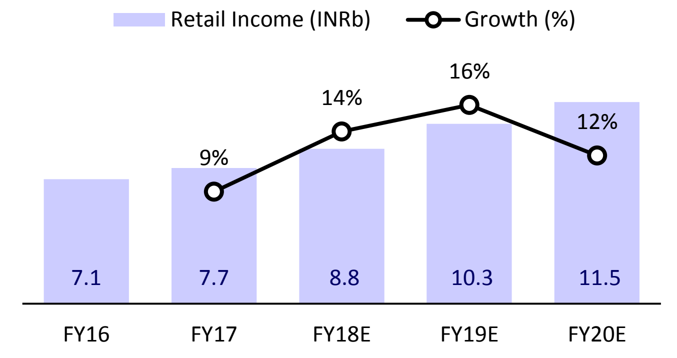
We expect retail leasing income to grow at CAGR of 15% over FY17-20 on backed by renewals due in HSP & Palladium mall and PMC Chennai (more than 50%) and launch of Palladium Mall, Chennai

Exhibit 25: High occupancy across malls is expected going ahead…



Source: Company, MOSL

Exhibit 26: Retail leasing income to grow at 15% CAGR over FY17-20E



Source: Company, MOSL

Retail in India offers vast opportunities

CPPIB deal - a key catalyst for growth

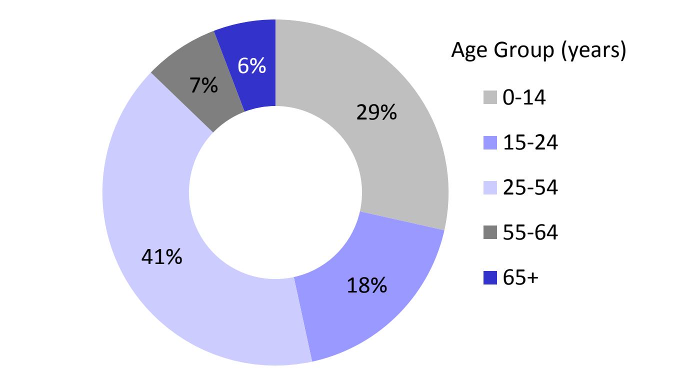
- **Favorable demographics (47% of India's population <24 years) and shift in trade toward organized retailers should drive significant growth in the Indian retail sector (12% CAGR over FY15-20E), going forward.**
- **CPPIB deal could potentially add 4msf of mall space to PHNX's current portfolio of 6msf (i.e., increasing mall portfolio by ~70%).**
- **CPPIB has infused equity for a 49% stake in PHNX's wholly owned subsidiary, Island Star, by infusing INR16.6b (in tranches). Island Star operates the PMC Bangalore mall, which is valued at a 6.25% cap rate using one-year forward EBITDA.**
- **Post CPPIB's capital infusion, PHNX acquired a land parcel in Wakad (Pune) to develop a mall with an area of 1msf; it has further mixed development potential of 0.8msf.**

Multiple factors driving prospects for India's retail sector

India's retail market is expected to reach a size of USD1t by 2020 (as per FICCI and management consultancy PWC), growing at a CAGR of 12%. With increasing household income, discretionary spending too is gradually rising (consumers are increasingly vying for quality and premium products).

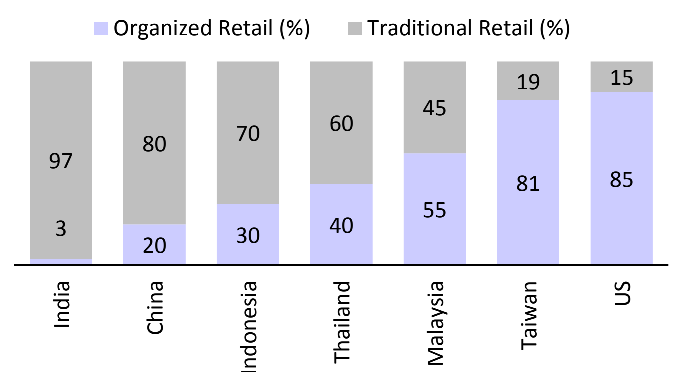
Urbanization in India is expected to touch 40% in 2020, rising from 31% in 2015. By the same year, there could be more than 200 million nuclear households, representing 25-50% higher consumption per capita expenditure. Backed by robust economic growth and rising household income, consumer spending in India is expected to touch USD3.6t by 2020, increasing India's share in global consumption to 5.8% – more than twice the current level. India's average household income is expected to triple to USD18,500 in 2020, up from USD6,400 in 2010 - acting as a major driver in retail growth and leading to the evolution of new consumer segments. Notably, increasing disposable income levels and a rising number of sophisticated consumers have boosted demand for premium products.

Exhibit 27: 47% of India's population <24yrs



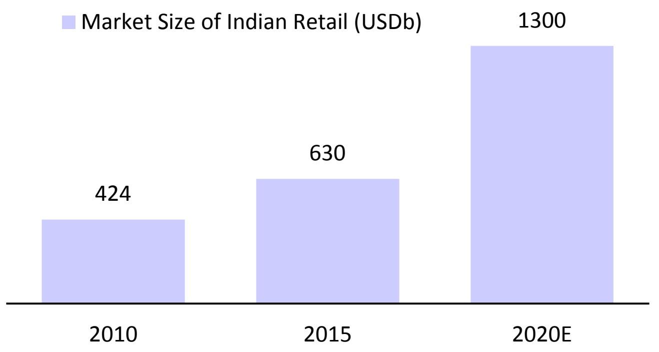
Source: Company, MOSL

Exhibit 28: Share of organized retail in India lowest at 3%



Source: EY, IBEF, MOSL

Exhibit 29: Indian retail to grow at 17% CAGR over FY15-20



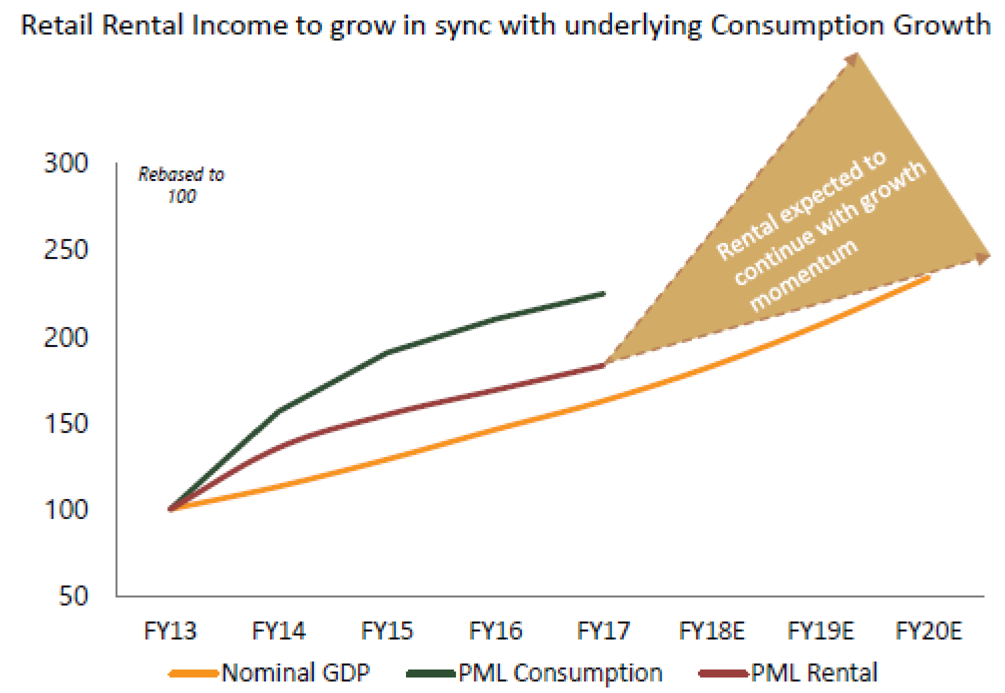
Source: IBEF, India Retail Report, MOSL

Exhibit 30: Breakup of India's retail market

Particulars	2015 (In USDb)	2020E (In USDb)
Total retail market	630	1,100 to 1,200
Organized retail market	60	140 to 160
E-commerce	8 to 12	45 to 50
Unorganized retail market	560	915 to 990

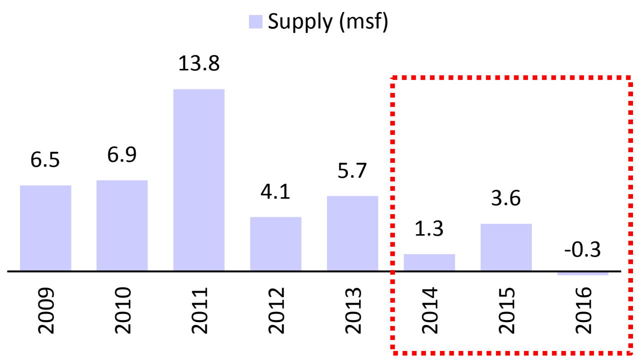
Source: Company, MOSL

Exhibit 31: First order derivative of India's consumption story…



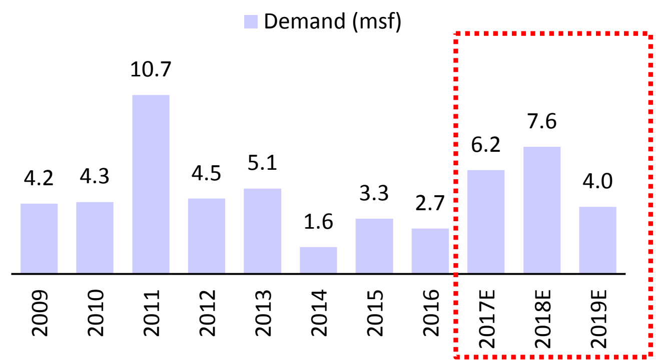
Source: Company, MOSL

Exhibit 32: Mall additions in last 3 years at all-time low



Source: JLL, MOSL

Exhibit 33: ..while demand for new space expected to remain robust



Source: JLL, MOSL

CPPIB deal to act as a key growth catalyst

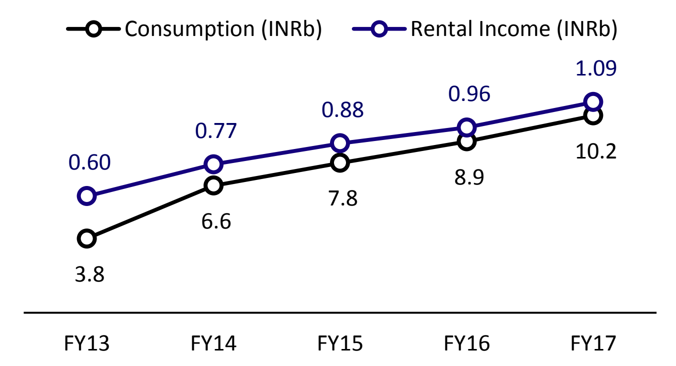
In April 2017, PHNX announced a deal with CPPIB with a clear goal to create best-in-class retail malls in India via its wholly owned subsidiary, Island Star Mall Developers, which would own new malls under the said deal.

As part of the deal, CPPIB has infused equity capital of INR16.6b (in tranches) for a 49% stake in Island Star. Island Star owns the 1msf HSP Bangalore mall (also has 2msf of potential developable area under it). PHNX shall manage all developments and operational assets under this platform and earn a fee based income like property management fees (4% of gross rentals), commission for new leases and fees for acquisition of land & development.

PHNX will be able to add up to 4 malls to its current retail portfolio of 8 malls post the CPPIB deal. Also, equity infusion and rental income from the HSP Bangalore mall (INR1b in FY17) should help PHNX to invest toward adding four malls (with 1msf of retail space each). This, coupled with an increase in rentals from the existing malls, significantly strengthen the company's growth prospects. Along with CPPIB's capital infusion of INR16.6b, PHNX plans to borrow INR16b which shall be used towards constructing new malls.

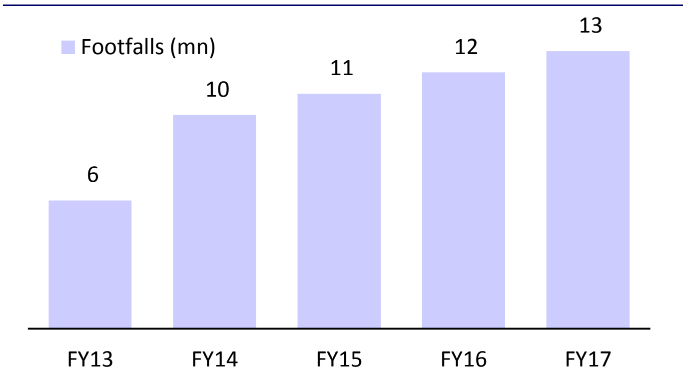
PMC Bangalore mall growth track record

Exhibit 34: Consumption grew at CAGR of 28% over FY13-17



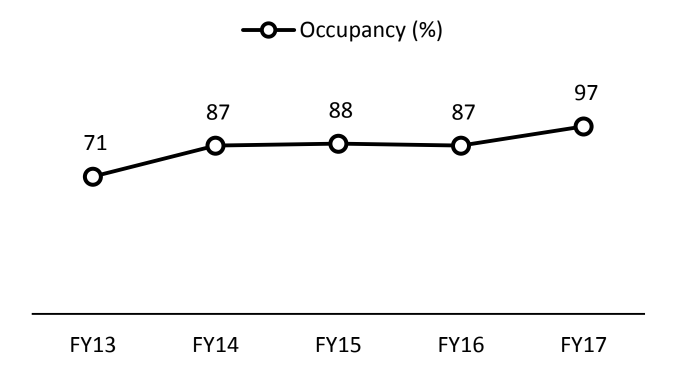
Source: Company, MOSL

Exhibit 35: Footfall nearly doubled over FY13-17



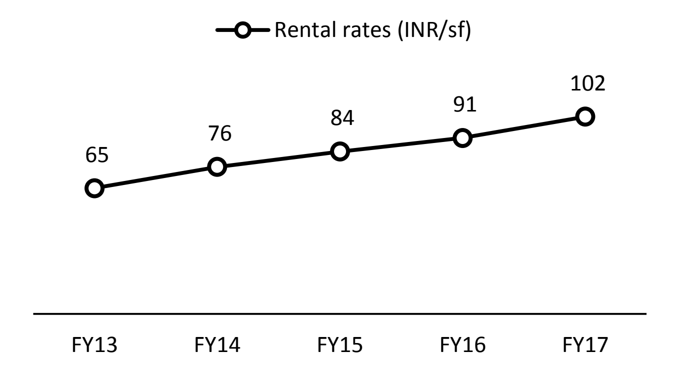
Source: Company, MOSL

Exhibit 36: Occupancy level over FY13-17



Source: Company, MOSL

Exhibit 37: Rentals psf has grown at 12% CAGR over FY13-17



Source: Company, MOSL

Exhibit 38: Equity valued at INR17b pre money (1st tranche)

Particulars	INRb
PMC Mall, Bangalore	20
2msf of potential developable area	2
Pre Money Enterprise Value	**22**
Less: Debt	5
Equity Value Pre Money	**17**
Equity capital infusion by CPPIB (49%)	16
Equity Value Post Money	**33**

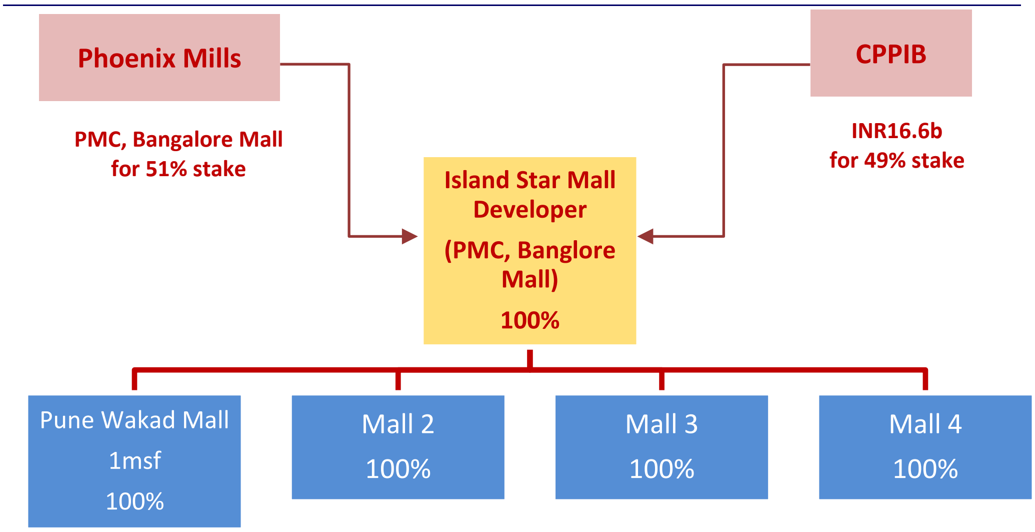
Source: Company

Exhibit 39: PMC mall valued at implied cap rate of 6.25%

Particulars	INRb
PMC, Bangalore FY17 EBITDA	1.09
Growth in EBITDA (15%)	0.16
One year forward EBITDA	**1.25**
Value of retail asset	20
Implied Cap Rate	**6.25%**

Source: Company

Exhibit 40: CPPIB deal structure…



*PHNX will add up to 4 new malls under CPPIB deal ; Source: Company, MOSL

CPPIB has investment of USD10b in retail assets globally

CPPIB, which manages assets worth over USD250b globally, has made an investment of USD10b in the shopping centers across Europe, America and Asia. Through this strategic investment platform, PHNX's aim is to develop retail-led mixed-use assets in the top cities of India.

Pune Wakad land acquisition marks first mall development under CPPIB platform

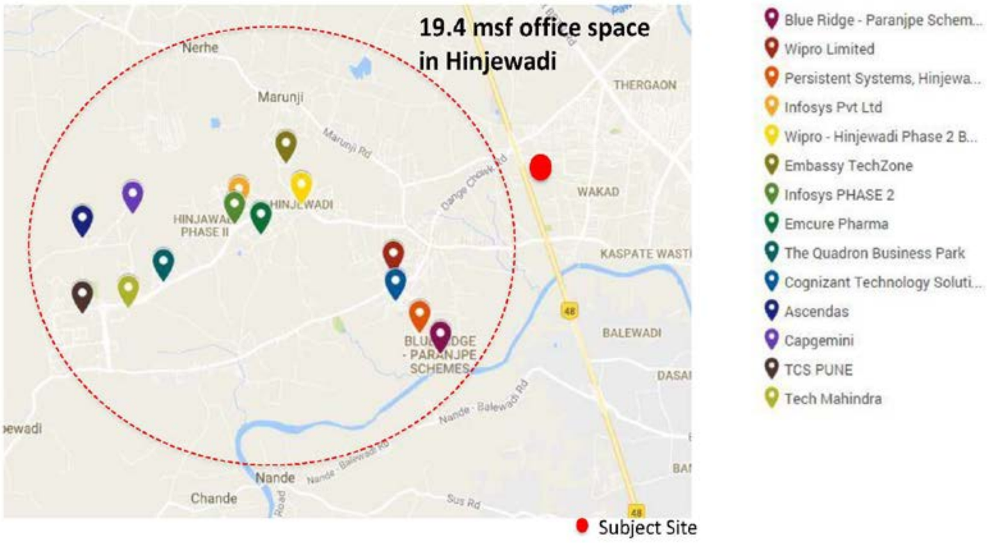
Post capital infusion of INR7.24b (first tranche) from CPPIB, the company acquired a land parcel in Pune. The 13-acre land parcel in Wakad, Pune with 1.8msf of potential developable area was acquired for INR2.3b (including TDR) to develop a mall of 1msf; rest 0.8msf for mixed-use development.

Wakad mall shall have strategic access to:

- Commercial areas such as Hinjewadi, Baner and Anudh
- Residential areas such as Wakad, Baner, Aundh, Balewadi, extending up to Kothrud in south-west of Pune
- Strong commercial catchment of 25msf in Hinjewadi (19msf and expanding) and Aundh/Baner (6msf and expanding)

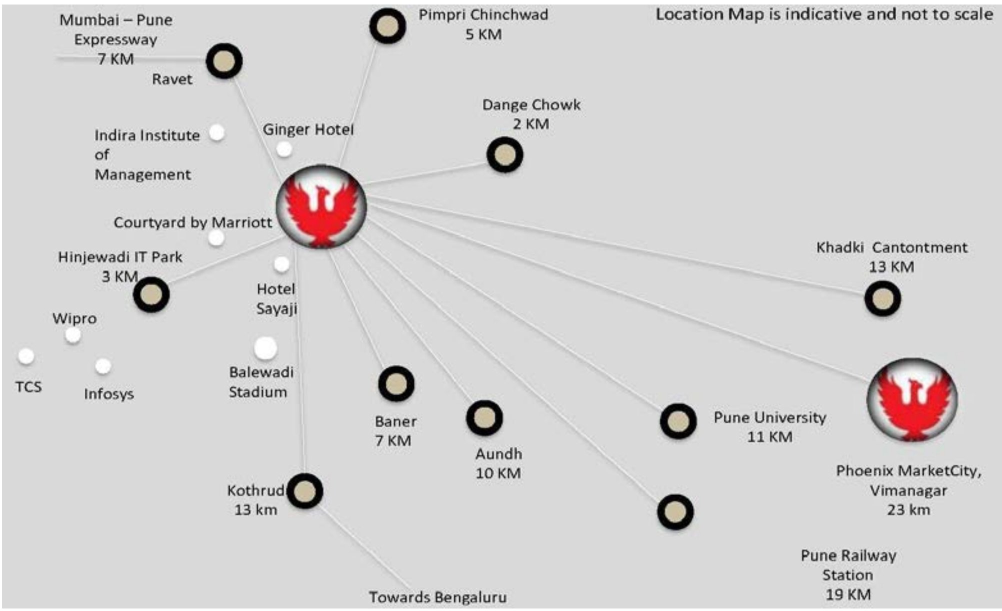
- Very dense residential population of middle-to-high income group

Exhibit 41: Commercial catchment - Hinjewadi



Source: Company, MOSL

Exhibit 42: Connectivity to Wakad from key locations



Source: Company, MOSL

PHNX already has a PMC mall located in east Pune with 1.2msf of space (primarily caters to east and central Pune crowd). However, the recently acquired land parcel is in Wakad, which is in west Pune and 23km away from the existing PMC mall. The existing mall in Viman Nagar serves the CBD of Kharadi, as well as the surrounding residential areas like Kalyani Nagar, Boat Club, Koregaon Park, and neighboring towns (e.g. Ahmednagar).

PHNX to generate INR23.8b CFO over FY18-20

Existing assets to provide 4.6msf of potential developable area

- **PHNX's 6msf of retail mall portfolio provides it with strong cash flows. Growth going forward is also expected to be driven by renewals in HSP & Palladium and PMC, Chennai mall.**
- **Its residential projects of 3.3msf have already garnered an amount equal to its estimated total cost of projects. Therefore, unsold stock and pending collections are expected to help generate strong operating cash flows (INR23.8b over FY18-20, in our view).**
- **With the next leg of growth being fully funded via CPPIB deal and minority buyouts now complete, PHNX's existing mall and commercial properties are expected to generate strong free cash flows. PHNX has spent INR13.3b toward acquiring minority stakes in its subsidiaries, which operate various malls.**
- **We believe these free cash flows can be utilized to unlock commercial (office space) development potential of 4.6msf in its existing land parcels.**

Cash flow from retail and residential to aid growth ahead

We expect PHNX to generate CFO of INR23.8b (FCF of INR6.8b) over FY18-20, primarily contributed by its retail assets and residential segment. Its retail assets provide consistent cash flows. Growth in the retail segment is expected to be driven by upcoming major renewals in HSP & Palladium and PMC Chennai (more than 50% of leasable area).

PHNX has a residential portfolio of 3.3msf (comprising three projects), of which unsold inventory stands at 1.5msf (FY17). Construction cost for 'The Crest' project has already been incurred, and shall be recovered in the form of collections/sales. This implies that cash flows from receivables/balance inventory to be sold would be available at the company's disposal. The remaining two projects – Kessaku and One Bangalore West – are under construction; total construction cost for these is estimated at INR12.9b, while land cost (already been incurred) stands at INR3.5b. PHNX has already collected INR12.9b (3QFY18) from customers, and balance collection stands at INR2b (3QFY18). Further, unsold inventory for all the three projects is 1.5msf, and sales value from the said inventory is INR19.4b (assuming average realization), which shall be freely available at PHNX's disposal (likely to be deployed toward unleashing its potential developable area of 4.6msf).

Exhibit 43: PHNX has already covered construction cost from the customer's collections…

Residential Projects	Estimated Construction Cost (INR m)	Collections (INR m) (3QFY18)	Receivables from customers (INR m) (3QFY18)	Collections over and above cost (INR m)
One Bangalore West, Bangalore	9,500	10,528	1,018	2,046
Kessaku, Bangalore	3,400	2,353	987	-60
Total	**12,900**	**12,881**	**2,005**	**1,986**

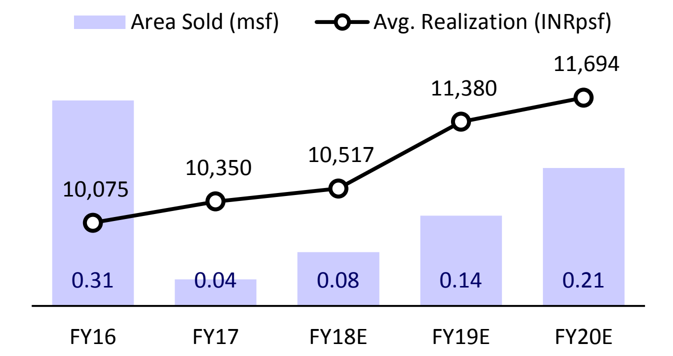
Source: Company, MOSL

Exhibit 44: PHNX to generate INR19.1 b CF (pretax) from residential projects

Project Name	Unsold inventory (3QFY18)	Avg. Realization (INR psf)	Sales Value of inventory at avg realization (INR m)
One Bangalore West, Bangalore	1.01	11,724	11,841
Kessaku, Bangalore	0.35	17,970	6,290
The Crest, Chennai	0.10	9,771	977
Total			**19,108**

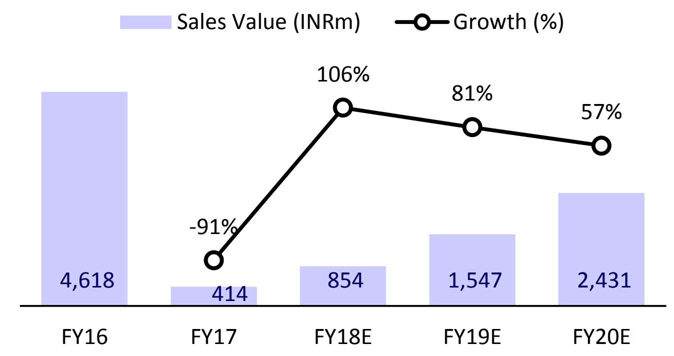
Source: Company, MOSL

Exhibit 45: Sales volume to grow at 73% CAGR over FY17-20



Source: Company, MOSL

Exhibit 46: Sales value to grow at 80% CAGR over FY17-20



Source: Company, MOSL

We expect higher sales absorption from One Bangalore West and Kessaku, which is expected to help drive higher sales in the residential portfolio.

Internal accruals and debt to fund investment in developable area

PHNX has acquired stakes from minority stakeholders by spending INR13.3b over FY14-9MFY18 (refer below exhibit).

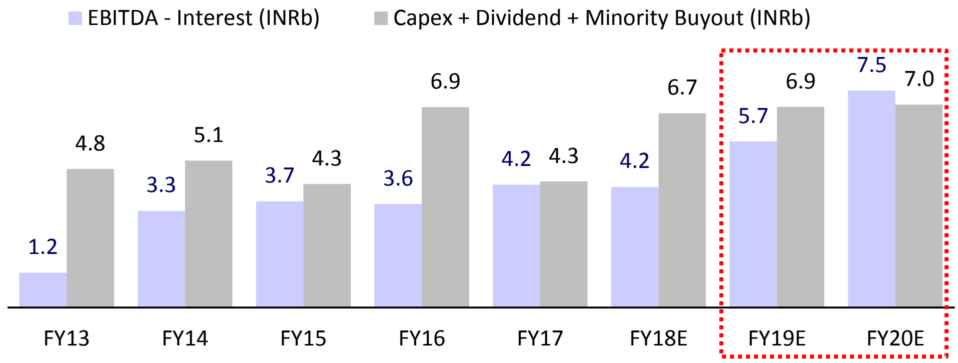
Exhibit 47: PHNX's progressive stake acquisition in subsidiaries

Subsidiary	Development Name	2010	Dec-17
Offbeat Developers	PMC, Mumbai	24%	100%
Vamona Developers	PMC, Pune	59%	100%
Classic Mall	PMC, Chennai	31%	50%
Gangetic Hotels	Courtyard by Marriott, Agra	21%	100%
Pallazzio Hotels	The St. Regis, Mumbai	53%	73%
Alliance	Fountainhead, Pune	58%	100%
Classic Housing	Crest A, B	34%	50%
Island Star	PMC, Bangalore	28%	70%
Palladium Construction	One Bangalore West & Kessaku	70%	100%
Big Apple Real Estate (BARE)	Phoenix United – Lucknow, Bareilly	73%	100%
Graceworks Realty & Leisure	Phoenix Paragon Plaza, Mumbai	44%	67%

Source: Company, MOSL

High free cash flow is expected to provide huge headroom for growth, as minority buyouts have already been completed. Hence, cash flows will be available for deploying toward 4.6msf of potential developable area.

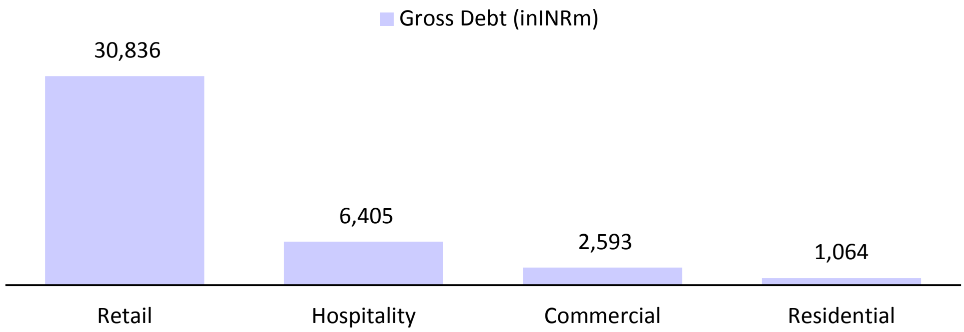
Exhibit 48: FCF to improve going forward



Source: Company, MOSL

With low cost of debt, PHNX can capitalize on further opportunities in its existing assets. Since, the land cost has already been paid for only the construction cost is required to be incurred.

Exhibit 49: Gross debt breakup (3QFY18)



Source: Company, MOSL

Unlocking value in existing assets by exploring other opportunities

HSP was among the first developments in India to combine retail & entertainment, commercial, hotel and residential properties into an integrated lifestyle destination. The company is using its market expertise and brand name to replicate the success of HSP in other parts of Mumbai as well as other cities in India (via its Phoenix MarketCity, Phoenix United, residential, commercial and hospitality projects).

4.6msf of potential developable area for PHNX across existing assets

PHNX has 4.6msf of potential developable area, which shall be added to its portfolio. With this development potential, PHNX will not be required to incur any land cost. Only construction cost has to be incurred.

Exhibit 50: 4.6msf potential developable area from its existing assets

Asset Name	Tentative Development	City	Potential Developable (msf)
HSP & Palladium	Retail and Commercial	Lower Parel, Mumbai	1.0
PMC Mall	Commercial	Viman Nagar, Pune	0.4
PMC Mall	Commercial	Wakad, Pune	0.8
PMC Mall	Commercial, mall and hotel	Bangalore	2.0
PMC Mall	Commercial	Chennai	0.4
Total			**4.6**

Source: Company, MOSL

Exhibit 51: St. Regis hotel above Palladium Mall Mumbai

Source: Company, MOSL

Exhibit 52: Mixed use development in PMC Kurla Mall, Mumbai

Source: Company, MOSL

REITs shall usher much-needed liquidity in RE sector

REITs shall bring back real estate sector into focus

What is REITs and what does it imply for the RE sector…

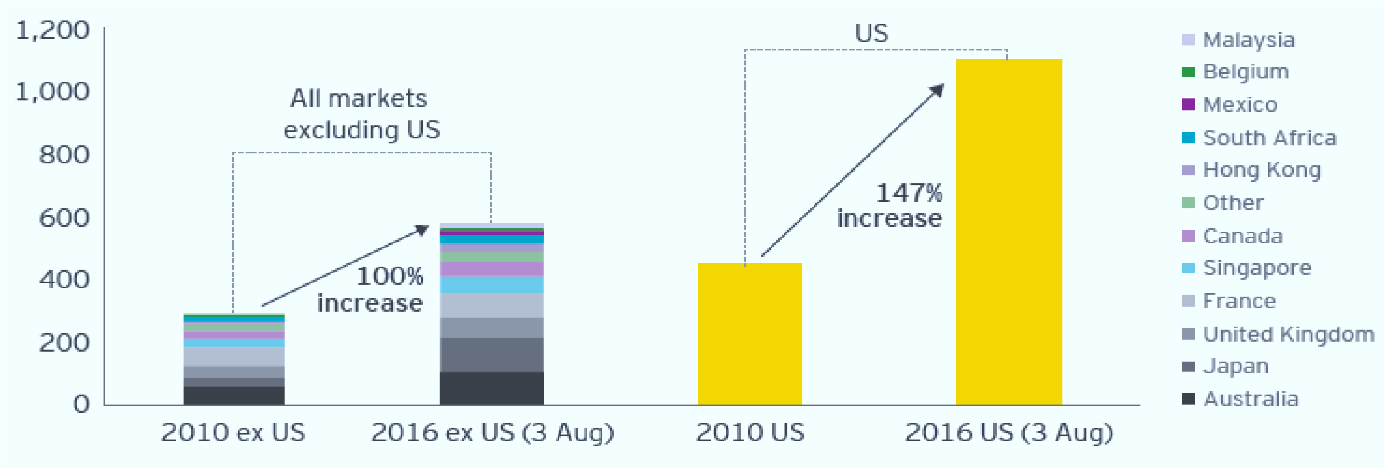
REIT is an investment vehicle that owns and operates real estate-related assets, and allows individual investors to earn income produced through ownership of commercial real estate without actually having to buy any assets.

An underdeveloped capital and debt market, coupled with limited options for raising funds, has resulted in significant cash blockage for developers owning assets. REIT as an investment vehicle is expected to infuse much-needed liquidity in the sector, helping scale up investments.

REITs are modeled after mutual funds, and provide their investors with all types of income streams and benefits of long-term capital appreciation. A REIT also trades on major stock exchanges and provides investors with a highly liquid stake in real assets typically offering high yields.

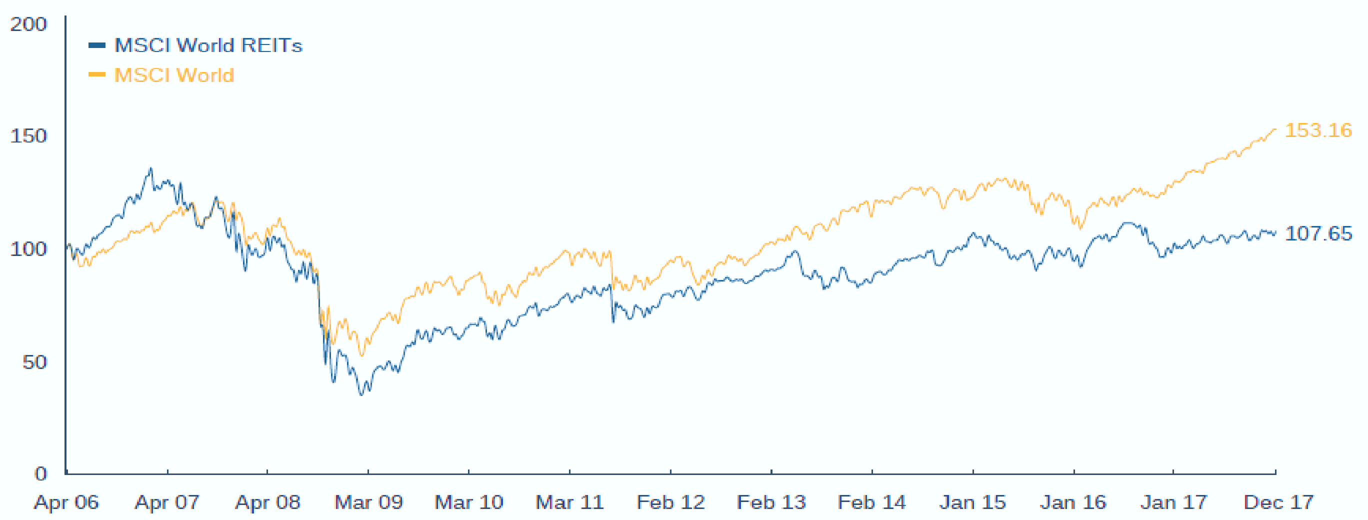
Over the last decade, globally, REITs have developed into a mature market force, providing easy access to high-quality assets, along with stable return on investments. To illustrate – as of 2016, there were over 500 REITs operating across various countries, with total market capitalization of more than USD900b.

Exhibit 53: REIT market cap by market, 2010 v/s 2016 (USDb)



Source: EY, MOSL

Exhibit 54: Cumulative index performance – price returns (USD)



Source: MSCI World REITs, MOSL

Exhibit 55: Annual performance of MSCI World REITs and MSCI World

Year	MSCI World REITs	MSCI World
2017	7%	20%
2016	1%	5%
2015	-1%	-3%
2014	18%	3%
2013	-3%	24%
2012	18%	13%
2011	0%	-8%
2010	16%	10%
2009	20%	27%
2008	-48%	-42%
2007	-17%	7%

Source: MSCI World REITs, MOSL

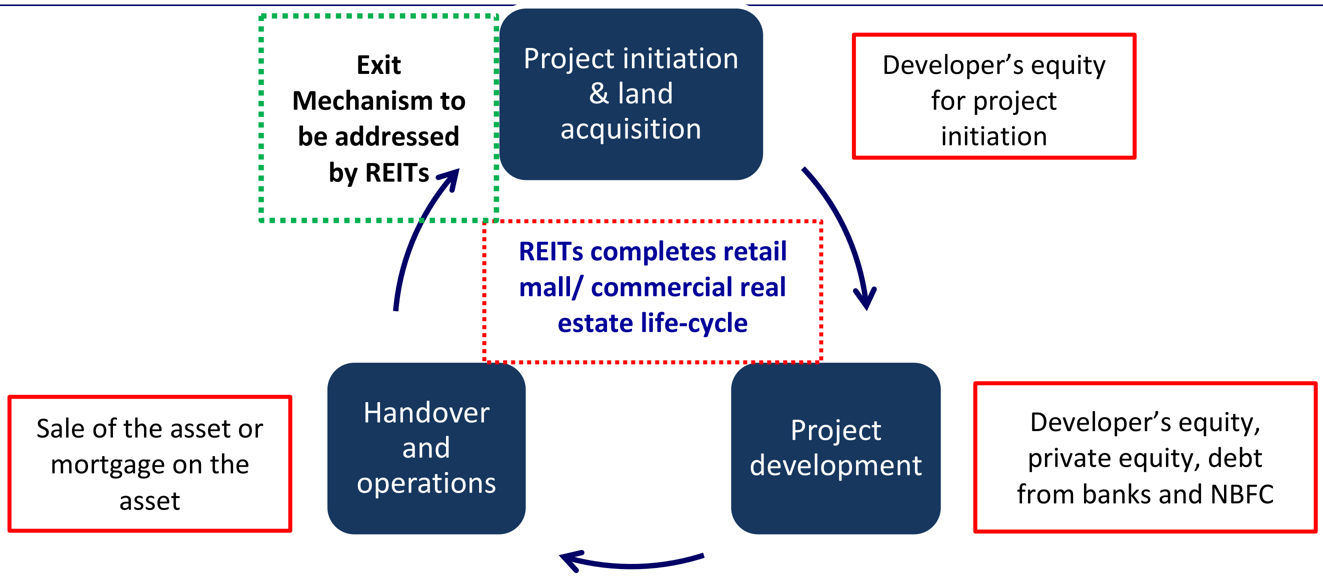
Taking a closer look at REITs globally…

- **USA:** The US Congress created the Real Estate Investment Trust (US-REIT) in 1960 to make large-scale, income-producing real estate investments accessible to smaller investors. Since then, US-REIT has dominated the market, and has a market capitalization which grew from USD 1.4943 billion in 1971 to USD 1 trillion by 2016.
- **Singapore:** Since the launch of the first Singapore REIT in 2002, the REIT sector has become one of the biggest success stories of the Singapore Stock Exchange (SGX). Singapore REITs have since grown into a USD 53 billion market. Currently, the total 'REITable' stock available in Singapore's CBD is 2.687 million sqm.
- **Australia:** The first REIT in Australia was the General Property Trust – a listed property trust started in 1971. A-REITs are the largest REIT MARKET in Asia with a total market capitalization of almost €72 billion, accounting for 9.36 percent of the global REIT market capitalization. The Sydney CBD market has 3.060 million sq. m. of REITable stock.

Importance of REITs in retail mall/ commercial real estate development

REITs, which complete the retail/ commercial real estate project cycle, is expected to provide an exit route to developers from the completed retail mall/ commercial assets as it is expected to help attract investors seeking investment in high-quality investment grade properties. Additionally, REITs has also opened up the avenues to get funding for under construction properties which shall also help to foster the development process of the assets.

Exhibit 56: Importance of REIT in retail mall/ commercial real estate development



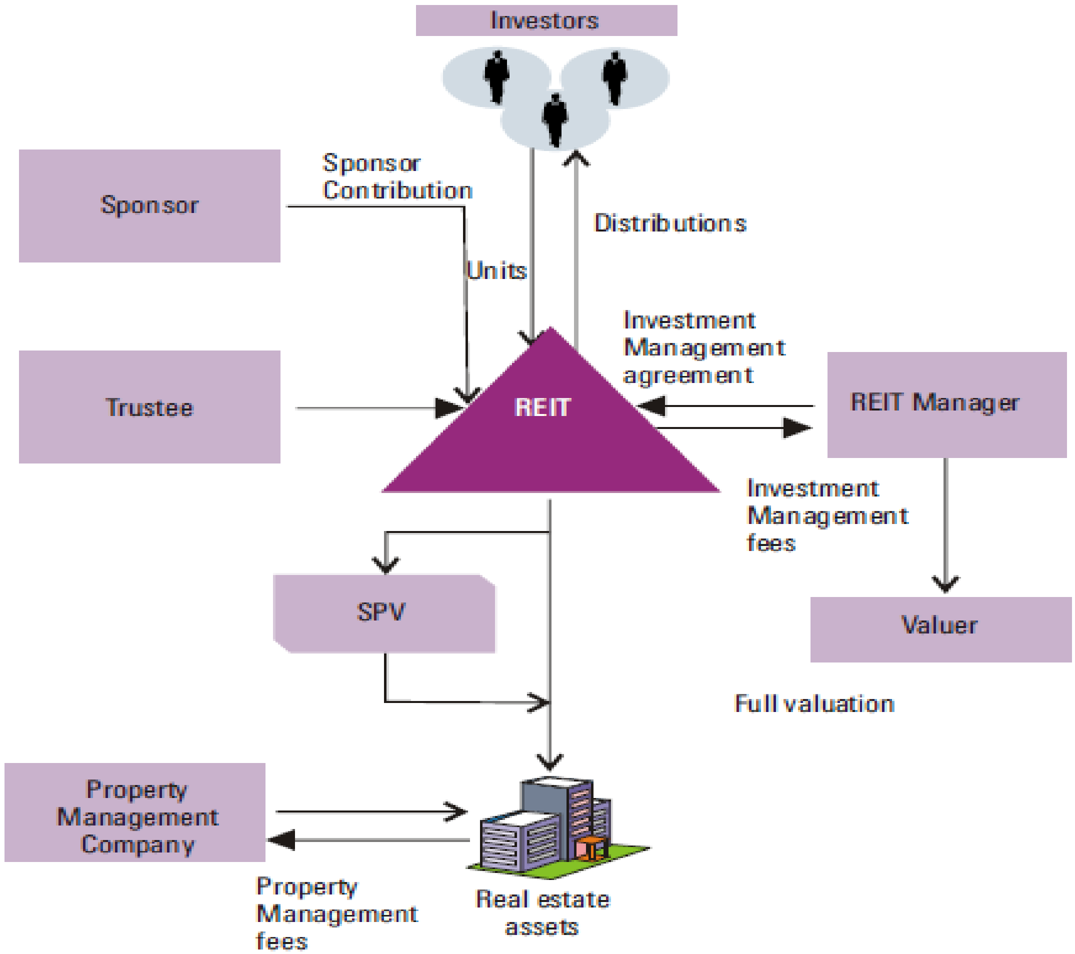
Source: KPMG, MOSL

Advantages of REITs to various stake holders

Exhibit 57: REITs advantage to various stakeholders

Source: KPMG, MOSL

Exhibit 58: A typical REITs structure



Source: KPMG, MOSL

Recent key changes made by SEBI in REITs

- Allowing REITs to invest in two level holding structures with, inter-alia, following conditions:
  a. REIT shall hold or proposes to hold controlling interest and not less than 51% of the equity share capital or interest in the underlying holdco/SPVs. Further, a holdco as well shall hold controlling interest and not less than 51% of the equity share capital or interest in the underlying SPVs.
  b. Majority of the Board of SPV and Holdco to be appointed by Investment Manager, in consultation with the trustee.
  c. Ultimate holding interest of the REIT/InvIT in the underlying SPV(s) is not less than 26%.
- Rationalizing the definition of associates and related parties and aligning them in line with the SEBI (Listing Obligations and Disclosure Requirement) Regulations.
- Allowing REITs to invest upto 20% in under construction assets
- Removing the cap on the number of sponsors and allowing concept of sponsor group.

SWOT Analysis

- Presence in six key consumption centers in India
- Single entry point for any retailer entering India
- Mall management skills help PHNX to deliver growth from existing assets by continuously churning retail tenants

- PHNX's flagship mall HSP & Palladium cannot increase its leasable despite making rentals of INR311psfp, due to space constraints
- Slow movement in Bangalore's residential projects

- Shift from unorganized to organized retailer to act as key growth driver
- Grade A mall vacancy at all-time low, which shall provide mall developers with huge opportunities
- 47% of Indian population is below 24 years of age, which provides PHNX's malls huge potential to act as consumption centers

- E-commerce could dampen consumption at malls, leading to lower rentals
- Although fire & safety checks are in place, any unforeseen event can dampen the brand of the company

Bull & Bear case

Bull case

- In case of retail malls, we have assumed a lower vacancy rate and higher rentals per month at INR159pm (avg.) (FY19) and a cap rate of 7.5% vis-à-vis our base case rental of INR153pm (avg.) (FY19) and a cap rate of 8%. We have assumed rentals to grow at an average CAGR of 9% vis-à-vis our base case average CAGR of 8% over FY18-22E. In case of commercials, we have assumed INR102pm (FY19) (avg.) as the rental for all commercial assets vis-à-vis our base case rental of INR98pm (FY19) (avg.). Hence, we increase the NAV of retail and commercial assets by 23%.
- In case of hotels, we have assumed a lower vacancy rate and higher room rentals per day at INR9,035 (avg.) (FY19) vis-à-vis our base case average room rental of INR8,569 (avg.) (FY19).
- Target price in the base case is INR732. However, as per our bull case scenario the target price would stand at INR899, 23% above the base case NAV.

Bear Case

- In case of retail malls, we have assumed a higher vacancy rate and lower rentals per month at INR146pm (avg.) (FY19) and a cap rate of 9% vis-à-vis our base case rental of INR153pm (avg.) (FY19) and a cap rate of 8%. We have assumed rentals to grow at an average CAGR of 7% vis-à-vis our base case average CAGR of 8% over FY18-22E. In case of commercials, we have assumed INR96pm (FY19) (avg.) as the rentals for all commercial assets vis-à-vis our base case rental of INR98pm (FY19) (avg.). Hence, we decrease the NAV of retail and commercial assets by 26%.
- In case of hotels, we have assumed a higher vacancy rate and lower room rental per day at INR8,164 (avg.) (FY19) vis-à-vis our base case average room rental of INR8,569 (avg.) (FY19).
- Target price in the base case is INR732. However, as per our bear case scenario the target price would stand at INR538, 27% below the base case NAV.

Exhibit 59: Scenario Analysis – Bull & Bear Case

	Bull case			Base Case	Bear case		
Particulars	**INR m**	**Per Share (INR)**	**%**		**INR m**	**Per Share (INR)**	**%**
Retail (Malls)	105,384	689	77%	557	61,964	405	75%
Commercial	8,652	57	6%	47	6,544	43	8%
Hotel	10,840	71	8%	59	5,607	37	7%
Residential & Cash	12,758	83	9%	69	8,190	54	10%
Equity Value	137,634	899	100%	**732**	82,305	538	100%
CMP		606		**606**		606	
Up/down		48%		**21%**		-11%	

Source: MOSL

Expect PAT CAGR of 37% to INR4b over FY18-20

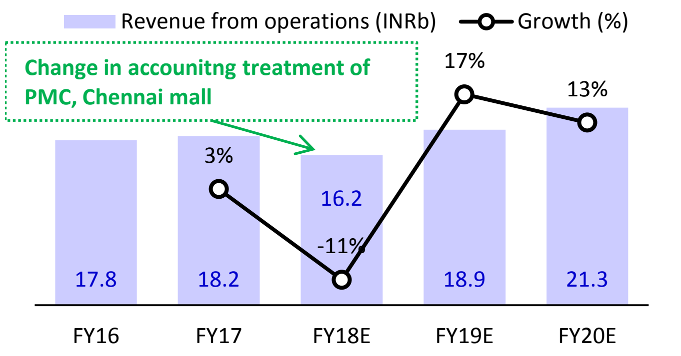
Net debt to equity ratio to come down to 0.7x by FY20 from 1.6x in FY17

- **PHNX is expected to deliver revenue CAGR (FY18-20) of 15% to INR21.3b, primarily driven by retail and residential revenue CAGR of 12% and 42%, respectively.**
- **Retail is the key segment contributing 65% of revenue in FY18. Within retail, the HSP & Palladium mall contributes 41% of revenues. We expect HSP & Palladium to grow at 14% in FY19, mainly led by an increase in occupancy to 96% from 91% in FY18 and a rise in rentals by 8% to INR396psf per month.**
- **We expect the EBITDA margin to expand by 140bp over FY18-20, leading to EBITDA CAGR of 15%. The expansion in margins is expected to be driven mainly by higher rentals via an improved tenant mix. However, we expect PAT (after MI) CAGR of 37%, mainly due to a decline in interest cost from INR3.6b in FY18 to INR3b in FY20.**
- **We expect PHNX to generate CFO of INR24.1b over FY18-20, which is likely to be utilized for debt repayment, leading to lower a net debt to equity ratio of 0.6x by FY20 v/s 1.6x in FY17.**

Revenue to grow at 15% CAGR over FY18-20

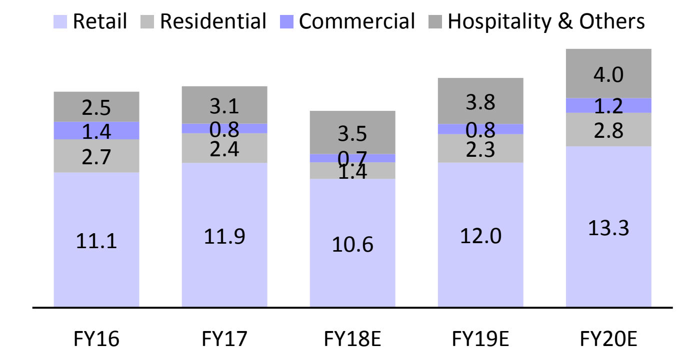
We expect PHNX to deliver revenue CAGR (FY18-20) of 15% to INR21.3b, mainly driven by retail revenue CAGR of 12% to INR13.3b and residential revenue CAGR of 42% to INR2.8b. We expect PHNX's office leasing and hospitality segments to deliver revenue CAGR of 33% and 7%, respectively, over FY18-20. De-growth of 11% in FY18 revenue is on account of change in accounting treatment of PMC, Chennai mall. For FY18 and onwards it has been classified as an associate company as against subsidiary company earlier.

Exhibit 60: Revenue to grow at CAGR of 15% over FY18-20E



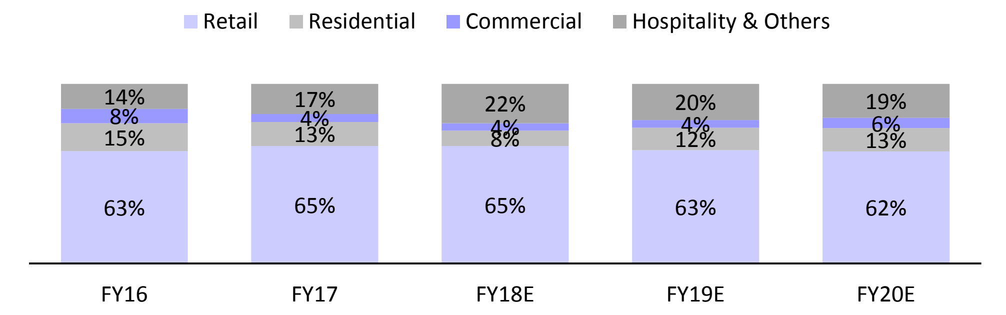
Source: Company, MOSL

Exhibit 61: Segmental revenue breakup (INRb)



Source: Company, MOSL

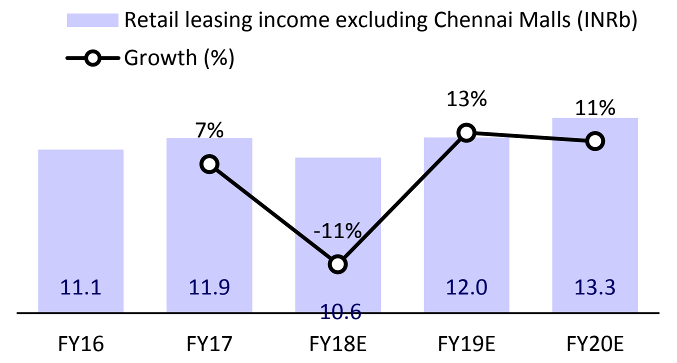
Exhibit 62: Revenue contribution from each segment



Source: Company, MOSL

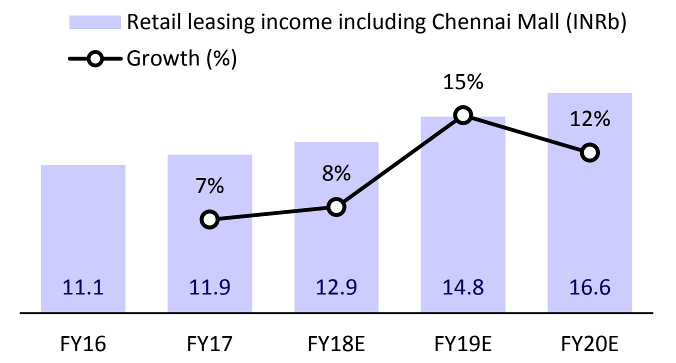
The retail segment is the key segment contributing 65% of revenue in FY18E. Growth in the segment over FY18-20 is likely to be driven by its existing mall portfolio. Within the retail segment, HSP and Palladium are key malls (41% revenue contribution). We expect HSP and Palladium to grow at 14% in FY19, mainly led by an increase in occupancy to 96% from 91% in FY18 and a rise in rentals by 8% to INR396psf per month (growth is mainly driven by 13 new small stores that have replaced the anchor tenant, which shall help in pushing rental yields).

Exhibit 63: Retail income (excluding Chennai Mall) to grow at 4% CAGR over FY17-20E



Source: Company, MOSL

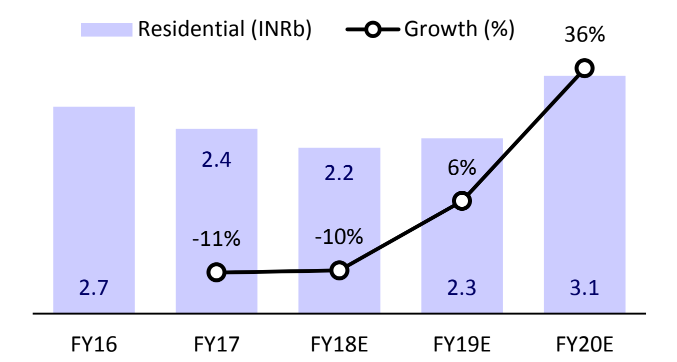
Exhibit 64: Retail income (including Chennai Mall) to grow at 12% CAGR over FY17-20E



Source: Company, MOSL

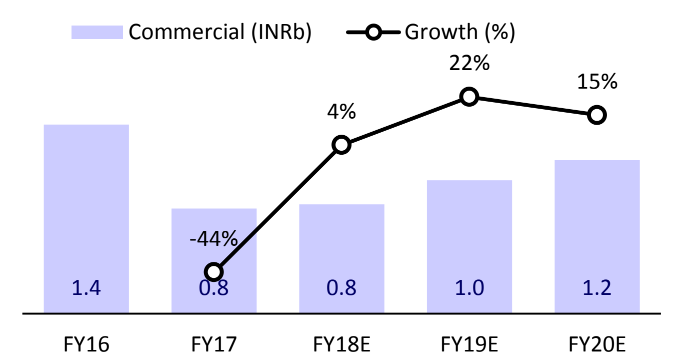
Residential income is expected to grow at a CAGR of 42% over FY18-20, as its key residential projects One Bangalore West and Kessaku are nearing completion. Office leasing income will be driven by commissioning of new office space of 0.2msf in FY19 (The Fountainhead, Pune). Hospitality and other income include income from hotel rooms, banquets and restaurants income. We expect St. Regis (Hotel) to continue operating at optimum level of occupancy (75%) and drive revenues.

Exhibit 65: Residential income to grow at 42% CAGR over FY18-20E



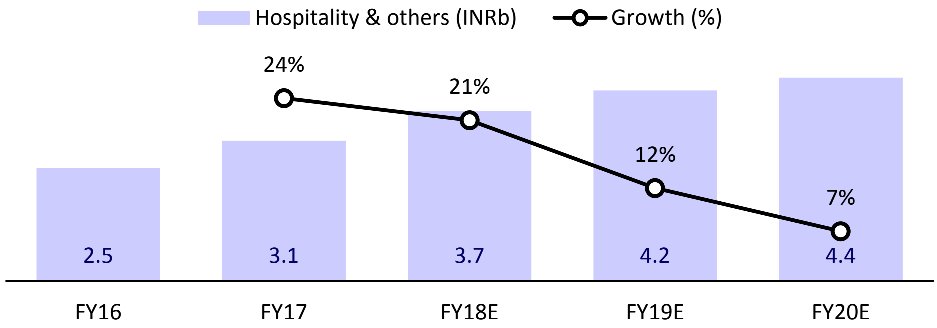
Source: Company, MOSL

Exhibit 66: Commercial income to grow at 33% CAGR over FY18-20E



Source: Company, MOSL

Exhibit 67: Hospitality segment to grow at 7% CAGR over FY18-20E

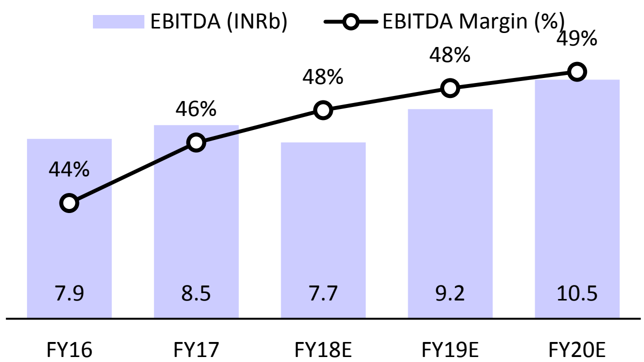


Source: Company, MOSL

PAT growth to outperform EBITDA growth due to declining interest cost

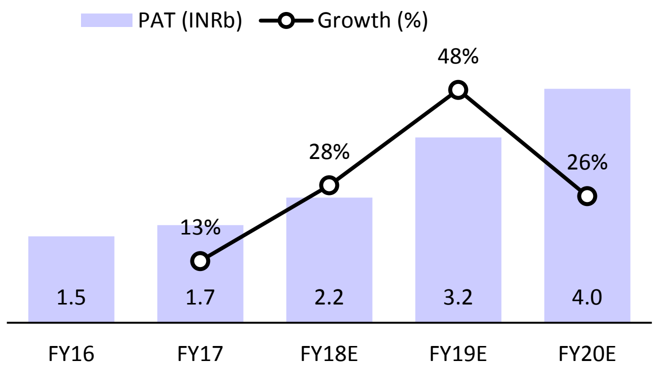
We expect the EBITDA margin to expand by 140bp over FY18-20, leading to EBITDA CAGR of 16% (largely in line with revenue CAGR of 15%). The expansion in margins is expected to be driven mainly by higher rentals via an improved tenant mix. However, we expect PAT (after MI) CAGR of 37%, mainly due to a decline in interest cost from INR3.6b in FY18 to INR3b in FY20. The decline in interest cost is expected to be mainly driven by huge cash surplus (CFO of INR23.8b) generated over FY18-20 from its existing assets across segments. Thus, we expect its debt to decline from INR37.8b in FY18 to INR27.3b in FY20. Expansion through new malls will be funded through equity infusion of INR16.6b under the CPPIB deal. This will also lead to an increase in RoE from 8.5% in FY18 to 10.6% in FY20.

Exhibit 68: EBITDA margin to expand by 140bp over FY18-20E



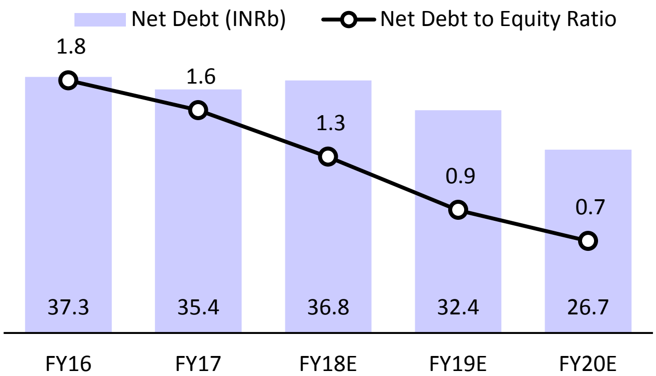
Source: Company, MOSL

Exhibit 69: PAT to grow at 37% CAGR over FY18-20E



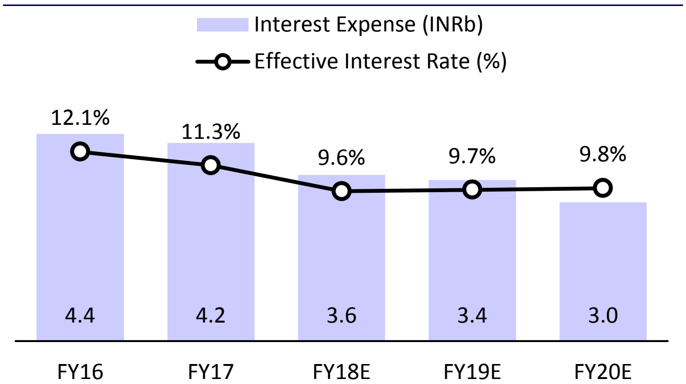
Source: Company, MOSL

Exhibit 70: Net DE ratio to come down to 0.7x by FY20E



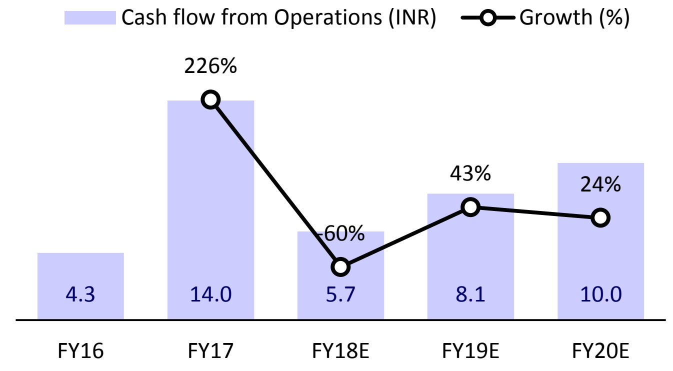
Source: Company, MOSL

Exhibit 71: Debt repayment would lead to lower interest



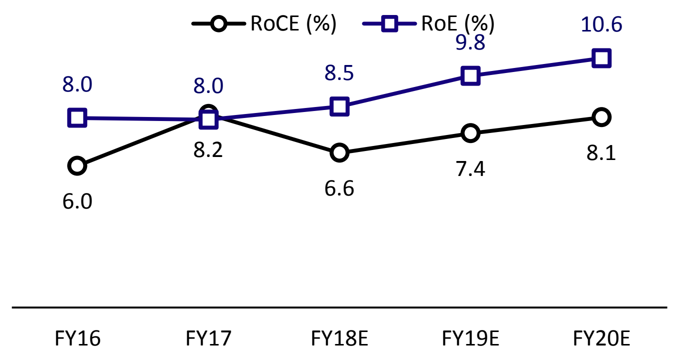
Source: Company, MOSL

Exhibit 72: PHNX to generate CFO of INR23.8b over FY18-20



Source: Company, MOSL

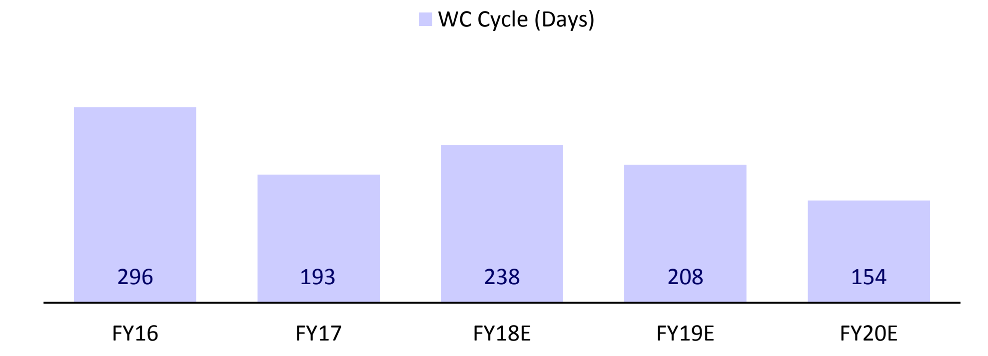
Exhibit 73: RoE and RoCE to show an improving trend



Source: Company, MOSL

We expect working capital cycle to reduce by 39 days over FY17-20E from 193 days in FY17, mainly with revenue recognition from the residential segment leading to lower inventory.

Exhibit 74: WC cycle is higher due to inventory build-up of residential business



Source: Company, MOSL

Valuation and view

Initiating with Buy

PHNX well placed to ride on India's consumption story

- India's retail industry is at an inflection point, with its market expected to reach a size of USD1t by 2020, growing at a CAGR of 12%. Multiple MNC retailers have entered the Indian market, and many more are expected to participate in this growth story. We believe that PHNX offers a unique way to play this retail growth story via its efficient operations and multiple functions under one roof.
- We estimate that PHNX's retail annuity income (excluding CAM charges) will grow steadily from INR7.7b in FY17 to INR11.5b in FY20, largely led by (a) upcoming major renewals in HSP and Palladium (54% of lease area) and PMC Chennai (53% of lease area) and (b) scale up of Palladium Mall, Chennai and commercial assets. Our earnings estimates suggest that, over FY17-20, PHNX will post (a) revenue CAGR of 15%, (b) EBITDA CAGR of 16% and (c) PAT CAGR of 37%. PAT is expected to grow at a faster pace, mainly due to declining interest outgo. PHNX is expected to generate CFO of INR23.8b, which, in our view, will be utilized for debt repayment. Thus, debt is expected to decline from INR36.3b in FY17 to INR24.3b in FY20. Growth over the next two years is expected to be driven by sweating of existing assets only. Growth in the Pune mall (under CPPIB deal) will start kicking from FY22.
- We believe that PHNX is a unique way to play India's retail growth story. Moreover, with clarifications and issues surrounding REITs now behind, we expect India to attract strong inflows, where PHNX can become a great choice. We prefer Phoenix Mills based on a) strong operational performance providing advantages over competition, b) scalability through CPPIB deal and c) robust cash generation leading to a reduction in gearing and providing opportunities to acquire new malls. The stock trades at a PE of 29x/23x FY19/20E, P/BV of 2.6x/2.3x FY19/20E and EV/EBITDA of 13.7x/11.4x respectively. We value retail assets based on NAV approach, assuming a cap rate of 8% and a discount rate of 13%. We initiate coverage on PHNX with a **Buy** rating and SOTP based target price of INR732 (upside 21%).

Exhibit 75: Initiate with an upside of 21%

Particulars	Methodology	Metrics	INR m	Per Share (INR)	%
Retail (Malls)	NAV	8% cap rate & 13% discount rate	85,299	557	76%
Commercial	NAV	9% cap & 13% discount rate	7,191	47	6%
Hotel	EV/ EBITDA	15x	9,037	59	8%
Residential & Cash	NAV	13% discount rate	10,543	69	9%
Equity Value			**112,071**	**732**	**100%**
CMP				606	
Up/down				21%	

Source: MOSL

- Apart from the planned addition of four new malls under the CPPIB deal (wherein land acquisition for one mall is already done), PHNX has 4.6msf of development potential from its existing assets. It is important to note that the said development potential shall have an outflow of construction cost only as land cost has already been paid for. We have not factored in 4.6msf of development potential in our valuation, which could act as a next trigger for growth.

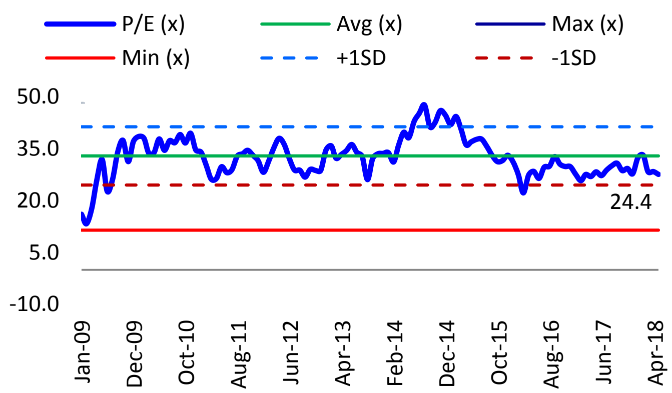
- PHNX acquired partly completed mall for INR2,310m (excluding stamp duty) in Indore (FY17) in an online auction conducted by the bank. PHNX has already paid INR580m and is waiting to get a clean title on land from the bank. Company has focused on planning the mall during the said period of one year and once the possession of the property is given within 30-36 months before the company will be able to complete the remaining construction, the interior works and get the mall operational. Additional construction cost to be incurred for the mall is INR3,750.
- Of the total 17 acres land parcel in Lower Parel Mumbai, PHNX has balance land parcel of 3 acres (adjacent to HSP Mall), with a development potential of 1msf. The same offers an optional value of INR102 per share, which we have not included in our target price.

Exhibit 76: Optionality value of INR102/share on Lower Parel land

Optional Value	
Potential leasable area (in msf)	1
Lease psf pm	280
Total income pa (INR m)	3,360
Maintenance cost @ 5% (INR m)	168
Net Lease Income (INR m)	3,192
Cap value @ 8% (INR m)	39,900
PV @ 13% disc rate and 5yrs (INR m)	21,656
Construction cost @ INR4500psf (INR m)	4,500
Other FSI and approval cost (INR m)	1,500
Total Outflow (INR m)	6,000
Net Value (INR m)	15,656
Value per share (INR)	102

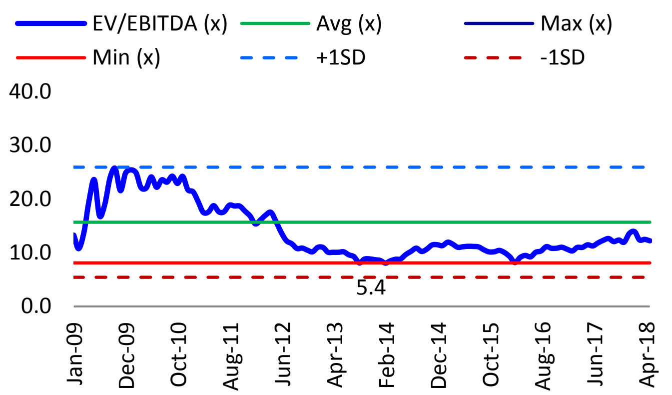
Source: MOSL

Exhibit 77: 10yr 1yr forward P/E



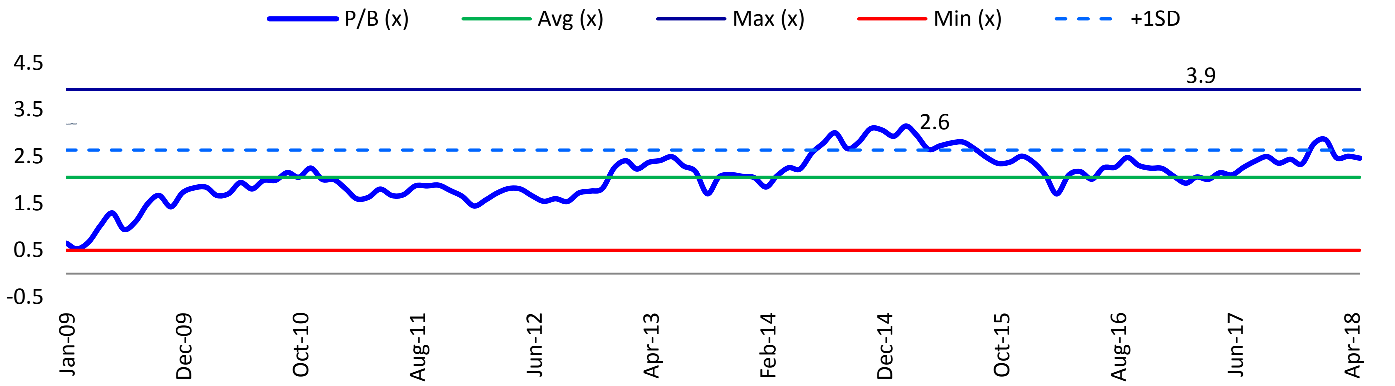
Source: Bloomberg, MOSL

Exhibit 78: 10yr 1yr forward EV/EBITDA



Source: Bloomberg, MOSL

Exhibit 79: 10yr 1yr forward P/B



Source: Bloomberg, MOSL

Key risks

Operational risks
Securing government approvals is crucial in project development. Any delay in approvals can hamper project dynamics significantly. Also, post RERA implementation, regulations have become stricter than ever, with severe penalties imposed for project delays. All this could affect economic viability of projects, and thus, brand credibility.

Threat from e-commerce
PHNX's rental incomes are indirectly linked to consumption or sales made by the tenants. In recent times, the trend of online shopping in India is increasing rapidly. This could possibly affect sales of the tenants, leading to lower rentals for PHNX.

Macroeconomic factors
Any decline in property prices could exert pressure on the real estate market. Also, modifications in government policies, varying market movements and changing consumer preferences could considerably damage players operating in the real estate sector.

Increasing land cost
The largest cost incurred by an entity in the real estate sector is toward land acquisition. As land prices increase, the impact shall be felt on the margins and financials of the company.

Management overview

Ashokkumar Ruia, Chairman & Managing Director

Mr. Ruia is a graduate from Cambridge and has pursued an active career in both business and sports. He has the unique distinction of representing the country in two sports, Bridge and Golf, demonstrating an inimitable desire to excel in whatever he undertakes. He has been on the Board of PHNX since 1963. He has vast experience in managing the company's affairs and over the years has contributed significantly to its growth. He is actively involved in mentoring the leadership team and in various aspects of the company's expansion plans.

Atul Ruia, Jt. Managing Director

Mr. Ruia is a graduate in Chemical Engineering from the University of Pennsylvania and holds a degree in Business Management from the Wharton School of Finance. He joined the Board of PHNX in 1996 and is the key visionary, pioneer and force behind the development of High Street Phoenix, Mumbai's first retail-led mixed use destination. It was under his aegis that the Company embarked upon a pan-India asset creation strategy with the flagship brand of 'Phoenix MarketCity'.

Shishir Shrivastava, Jt. Managing Director

Mr. Shrivastava graduated from IHM, Bengaluru and has been associated with the Phoenix Group since 2000 in various capacities. While he was instrumental in shaping up High Street Phoenix to its current reputation, he also laid the foundation for the service and advisory verticals and seen through the successful culmination of the Palladium Hotel and Phoenix Marketcity projects, launched in phases. As Joint Managing Director, he continues to drive strategy and oversee several critical functions of the Company.

Pradumna Kanodia, Director – Finance

Mr. Kanodia is a qualified Chartered Accountant and Company Secretary. He has over 27 years of experience in corporate management, finance and commercial matters, fiscal and strategic planning, budgeting and cash flow management. He heads the finance and accounts teams and plays a key role in fund raising and liaisoning with banks for debt funding.

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18E**	**FY19E**	**FY20E**
Total Income from Operations	**4,699**	**14,485**	**16,533**	**17,795**	**18,246**	**16,210**	**18,944**	**21,328**
Change (%)	19.1	208.3	14.1	7.6	2.5	-11.2	16.9	12.6
Cost of Materials/Construction	-39	3,500	2,813	2,848	2,466	1,524	1,781	2,005
Employees Cost	383	731	915	1,244	1,403	1,524	1,743	1,920
Power & Fuel Cost	772	1,426	1,790	1,983	2,027	1,848	2,103	2,325
Other Expenses	951	2,045	3,395	3,852	3,880	3,599	4,149	4,628
Total Expenditure	**2,068**	**7,701**	**8,914**	**9,926**	**9,777**	**8,494**	**9,775**	**10,877**
% of Sales	44.0	53.2	53.9	55.8	53.6	52.4	51.6	51.0
EBITDA	**2,631**	**6,784**	**7,620**	**7,869**	**8,469**	**7,716**	**9,169**	**10,451**
Margin (%)	56.0	46.8	46.1	44.2	46.4	47.6	48.4	49.0
Depreciation	474	1,055	1,681	1,773	1,953	2,037	2,157	2,347
EBIT	**2,157**	**5,729**	**5,939**	**6,096**	**6,516**	**5,679**	**7,011**	**8,103**
Int. and Finance Charges	1,430	3,451	3,956	4,425	4,230	3,553	3,444	2,965
Other Income	521	391	312	302	472	519	606	256
PBT bef. EO Exp.	**1,247**	**2,669**	**2,295**	**1,974**	**2,758**	**2,645**	**4,174**	**5,394**
EO Items	-7	84	-938	-387	0	0	0	0
PBT after EO Exp.	**1,241**	**2,753**	**1,357**	**1,587**	**2,758**	**2,645**	**4,174**	**5,394**
Total Tax	427	909	493	767	858	899	1,419	1,834
Tax Rate (%)	34.4	33.0	36.3	48.3	31.1	34.0	34.0	34.0
Minority Interest	-28	560	510	-470	221	-410	-439	-469
Reported PAT	**842**	**1,285**	**354**	**1,289**	**1,679**	**2,156**	**3,193**	**4,030**
Adjusted PAT	**846**	**1,228**	**952**	**1,489**	**1,679**	**2,156**	**3,193**	**4,030**
Change (%)	-19.9	45.2	-22.5	56.5	12.8	28.4	48.1	26.2
Margin (%)	18.0	8.5	5.8	8.4	9.2	13.3	16.9	18.9

Consolidated - Balance Sheet								(INR m)
Y/E March	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18E**	**FY19E**	**FY20E**
Equity Share Capital	290	290	290	306	306	306	306	306
Total Reserves	17,397	16,948	16,447	19,967	21,566	28,384	35,957	39,581
Net Worth	**17,687**	**17,237**	**16,737**	**20,273**	**21,872**	**28,691**	**36,263**	**39,887**
Minority Interest	4,252	7,216	6,212	4,789	2,797	4,969	9,565	9,565
Total Loans	21,956	34,062	34,023	38,895	36,255	37,755	33,255	27,255
Deferred Tax Liabilities	-477	-858	-1,047	-1,096	-1,252	-1,252	-1,252	-1,252
Capital Employed	**43,418**	**57,657**	**55,925**	**62,861**	**59,672**	**70,163**	**77,831**	**75,455**
Gross Block	29,917	45,060	46,363	50,371	50,171	54,271	59,271	64,271
Less: Accum. Deprn.	2,079	3,363	5,061	6,824	8,139	10,176	12,333	14,681
Net Fixed Assets	**27,837**	**41,697**	**41,302**	**43,547**	**42,031**	**44,095**	**46,937**	**49,590**
Goodwill on Consolidation	0	0	2	1,933	3,341	3,341	3,341	3,341
Capital WIP	1,670	2,351	2,138	1,949	3,285	3,000	4,582	6,243
Total Investments	**5,554**	**3,544**	**1,997**	**1,611**	**4,096**	**11,496**	**15,256**	**10,256**
Curr. Assets, Loans&Adv.	**14,570**	**19,152**	**19,928**	**24,104**	**16,449**	**17,041**	**17,808**	**16,521**
Inventory	7,770	11,417	11,783	13,240	9,455	9,904	10,069	8,756
Account Receivables	846	1,968	2,192	2,786	1,470	1,776	1,817	1,461
Cash and Bank Balance	684	851	920	1,630	812	984	807	546
Loans and Advances	5,270	4,916	5,032	6,448	4,711	4,377	5,115	5,759
Curr. Liability & Prov.	**6,212**	**9,087**	**9,441**	**10,282**	**9,529**	**8,809**	**10,092**	**10,496**
Account Payables	1,415	2,018	1,462	1,616	1,254	1,090	1,071	1,192
Other Current Liabilities	4,141	6,546	7,217	8,115	7,431	6,970	8,146	8,318
Provisions	656	524	762	551	843	749	875	986
Net Current Assets	**8,358**	**10,065**	**10,487**	**13,822**	**6,920**	**8,232**	**7,715**	**6,026**
Appl. of Funds	**43,418**	**57,656**	**55,925**	**62,861**	**59,672**	**70,163**	**77,831**	**75,455**

Financials and valuations

Ratios

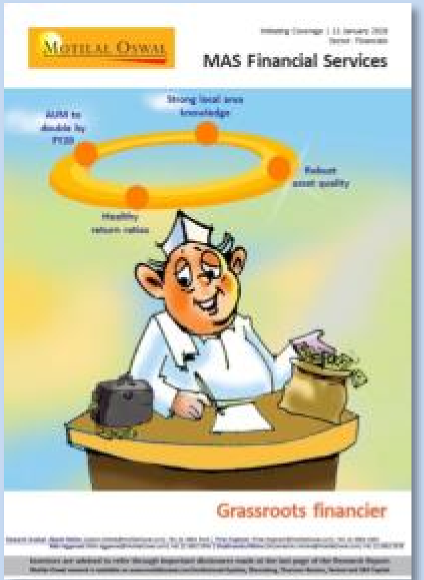
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Basic (INR)								
EPS	**5.5**	**8.0**	**6.2**	**9.7**	**11.0**	**14.1**	**20.9**	**26.3**
Cash EPS	8.6	14.9	17.2	21.3	23.7	27.4	35.0	41.7
BV/Share	115.6	112.6	109.4	132.5	142.9	187.5	236.9	260.6
DPS	2.1	2.1	2.1	2.2	0.4	2.2	2.2	2.2
Payout (%)	44.3	29.0	108.4	35.6	4.9	18.8	12.7	10.1
Valuation (x)								
P/E			97.5	62.3	55.2	43.0	29.0	23.0
Cash P/E			35.2	28.4	25.5	22.1	17.3	14.5
P/BV			5.5	4.6	4.2	3.2	2.6	2.3
EV/Sales			7.6	7.3	7.0	8.0	6.6	5.6
EV/EBITDA			16.5	16.5	15.1	16.8	13.7	11.4
Dividend Yield (%)	0.3	0.3	0.3	0.4	0.1	0.4	0.4	0.4
Return Ratios (%)								
RoE	4.9	7.0	5.6	8.0	8.0	8.5	9.8	10.6
RoCE	4.8	9.0	7.8	6.0	8.2	6.6	7.4	8.1
RoIC	5.3	8.9	7.4	5.8	8.2	7.1	8.3	9.3
Working Capital Ratios								
Asset Turnover (x)	0.1	0.3	0.3	0.3	0.3	0.2	0.2	0.3
Inventory (Days)	604	288	260	272	189	223	194	150
Debtor (Days)	66	50	48	57	29	40	35	25
Creditor (Days)	110	51	32	33	25	25	21	20
Leverage Ratio (x)								
Interest Cover Ratio	1.5	1.7	1.5	1.4	1.5	1.6	2.0	2.7
Net Debt/Equity	1.2	1.9	2.0	1.8	1.6	1.3	0.9	0.7

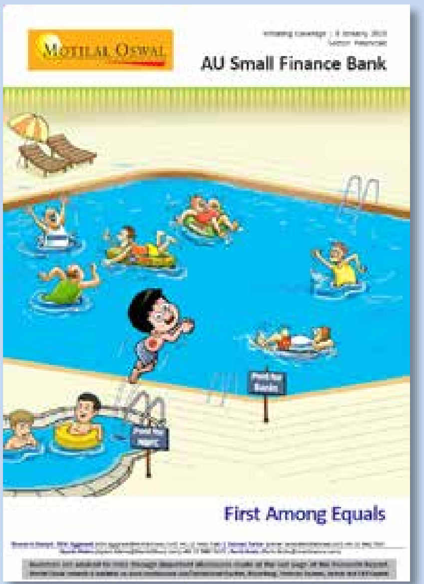
Consolidated - Cash Flow Statement **(INR m)**

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
OP/(Loss) before Tax	1,242	2,754	1,357	1,587	2,758	2,645	4,174	5,394
Depreciation	475	1,055	1,681	1,773	1,953	2,037	2,157	2,347
Interest & Finance Charges	1,057	3,241	3,777	4,237	3,909	3,034	2,838	2,709
Direct Taxes Paid	-492	-1,111	-891	-1,352	-438	-899	-1,419	-1,834
(Inc)/Dec in WC	-2,035	-2,187	-1,419	-1,940	5,853	-1,141	340	1,428
CF from Operations	**248**	**3,751**	**4,505**	**4,304**	**14,035**	**5,676**	**8,090**	**10,045**
Others	-11	17	1,131	668	102	0	0	0
CF from Operating incl EO	**236**	**3,768**	**5,636**	**4,972**	**14,138**	**5,676**	**8,090**	**10,045**
(Inc)/Dec in FA	-4,411	-14,820	-1,074	-3,856	-1,847	-3,815	-6,582	-6,661
Free Cash Flow	**-4,174**	**-11,052**	**4,562**	**1,116**	**12,291**	**1,861**	**1,508**	**3,384**
(Pur)/Sale of Investments	-630	2,086	-1,326	96	-2,429	-7,400	-3,760	5,000
Others	499	279	1,379	205	349	519	606	256
CF from Investments	**-4,542**	**-12,456**	**-1,021**	**-3,555**	**-3,927**	**-10,697**	**-9,736**	**-1,405**
Issue of Shares	524	0	30	2,760	22	0	0	0
Inc/(Dec) in Debt	5,330	12,720	-188	1,729	-6,647	1,500	-4,500	-6,000
Interest Paid	-1,530	-3,493	-4,017	-4,469	-4,321	-3,553	-3,444	-2,965
Dividend Paid	-335	-371	-372	-727	-83	-405	-405	-405
Others	0	0	0	0	0	7,650	9,819	469
CF from Fin. Activity	**3,990**	**8,855**	**-4,546**	**-707**	**-11,029**	**5,192**	**1,469**	**-8,901**
Inc/Dec of Cash	**-316**	**168**	**69**	**710**	**-818**	**171**	**-177**	**-261**
Opening Balance	1,000	684	851	920	1,630	812	984	807
Closing Balance	**684**	**851**	**920**	**1,630**	**812**	**984**	**807**	**546**

REPORT GALLERY

RECENT INITIATING COVERAGE REPORTS





NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Securities Ltd. (MOSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOSL is a subsidiary company of Motilal Oswal Financial Service Ltd. (MOFSL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOSL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Metropolitan Stock Exchange Of India Ltd. (MSE) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) & National Securities Depository Limited (NSDL) and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products. Details of associate entities of Motilal Oswal Securities Limited are available on the website at http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf

MOSL, it's associates, Research Analyst or their relative may have any financial interest in the subject company. MOSL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. MOSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. MOSL and/or its associates may have received any compensation from the subject company in the past 12 months.

In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, MOSL or any of its associates may have:
a) managed or co-managed public offering of securities from subject company of this research report,
b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.
d) Subject Company may have been a client of MOSL or its associates during twelve months preceding the date of distribution of the research report.

MOSL and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report. To enhance transparency, MOSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Terms & Conditions:

This report has been prepared by MOSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOSL will not treat recipients as customers by virtue of their receiving this report.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement	Phoenix Mills
Analyst ownership of the stock	No

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Securities Limited (MOSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the"1934 act") and under applicable state laws in the United States. In addition MOSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore, as per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-3980 4263; www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 3080 1000. Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-38281085.

Registration details of group entities.: MOSL: SEBI Registration: INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL: IN-DP-16-2015; NSDL: IN-DP-NSDL-152-2000; Research Analyst: INH000000412. AMFI: ARN 17397. Investment Adviser: INA000007100.IRDA Corporate Agent-CA0541. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670) offers PMS and Mutual Funds products. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) offers wealth management solutions. *Motilal Oswal Securities Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance and IPO products. * Motilal Oswal Commodities Broker Pvt. Ltd. offers Commodities Products. * Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. offers Real Estate products. * Motilal Oswal Private Equity Investment Advisors Pvt. Ltd. offers Private Equity products