

Real Estate

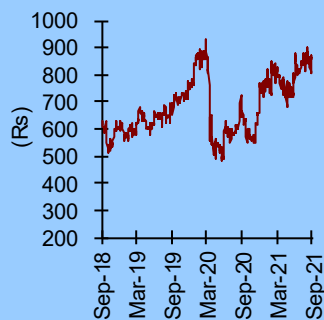
Target price: Rs1,231

Shareholding pattern

	Dec '20	Mar '21	Jun '21
Promoters	45.5	45.5	45.5
Institutional investors	50.9	50.9	50.6
MFs and other	16.1	15.3	15.0
FIs/Banks/Ins	0.7	0.7	0.7
FII	34.1	34.9	34.9
Others	3.6	3.6	3.9

Source: NSE

Price chart



INDIA

The Phoenix Mills

BUY

Maintained

Rs853

Fortress balance sheet, long term story intact

The Phoenix Mills (PHNX) FY21 and Q1FY22 operations have been impacted by mall shutdowns across India owing to successive Covid waves. For FY21, mall consumption of Rs33.3bn was at 69% of FY20 levels while rental income of Rs5.6bn stood at 55% of FY20 levels. To tide over the intermittent Covid related disruptions, PHNX has raised ~Rs26bn of equity capital through QIP route and SPV level stake dilution between Aug'20 to Jun'21 and has access to an additional funding pool of Rs10bn. We assume a 30% LTL rental income loss for FY22E owing to expected rental waivers in H1FY22 and retain our FY23E estimates as we believe that the long-term growth story for Grade A malls in India remains intact. We reiterate our BUY rating with an unchanged Mar-22 SoTP based target price of Rs1,231/share which includes Phoenix Rise office and retail project of 1.3msf and retain our 10% premium to NAV considering growth opportunities from growth capital raised from GIC PE and CPPIB platform deals. Key risks to our call are an extended second Covid wave impacting mall consumption and fall in mall occupancies and rentals.

- Covid impacts FY21 consumption and rentals, recovery on cards:** For FY21, Covid-19 related mall shutdowns impacted mall consumption which stood at Rs33.3bn or 69% of FY20 levels while rental income of Rs5.6bn stood at 55% of FY20 levels. Heading into FY22E, the retail consumption recovery has been hindered by a fresh round of mall shutdowns across India owing to the second Covid wave. While rental waivers are likely again in H1FY22 owing to Covid related shutdowns across India, company expects retail rentals to revert to pre-Covid levels in H2FY22 assuming no third wave of Covid. We build in a 30% rental loss in FY22E.
- PHNX to have a potential war chest of over Rs30bn to fuel growth:** As of Mar'21, PHNX had consolidated gross debt of Rs44.7bn along with cash/liquid investments of Rs10.3bn. With the first tranche of GIC PE fund infusion of Rs11.1bn in Jun'21 and CPPIB fund infusion of Rs3.8bn in Kolkata Mall SPV in May'21, PHNX has ~Rs24bn of liquidity as of Jun'21. Apart from this, including balance potential fund infusion by GIC PE of Rs4bn and balance CPPIB fund infusion of Rs1.8bn in Kolkata Mall SPV and Rs4bn in Island Star SPV, PHNX has access to additional funds of Rs10bn for deployment in standalone business and mall SPVs.
- Estimated rental income CAGR of 14% over FY20-25E:** PHNX will have ~13msf operational mall space by FY26E (6.9msf currently operational). We expect PHNX to achieve a 14% rental income CAGR (ex-new Kolkata asset) over FY20-25E resulting in Rs19.5bn of rental income in FY25E vs. ~Rs10bn in FY20. Of the Rs19.5bn of gross rental income in FY25E, PHNX share is ~70% or Rs13.8bn.

Market Cap	Rs147bn/US\$2bn	Year to Mar	FY21	FY22E	FY23E	FY24E
Reuters/Bloomberg	PHOE.BO/PHNX IN	Revenue (Rs bn)	10.7	15.4	22.2	27.5
Shares Outstanding (mn)	171.9	Rec. Net Income (Rs bn)	0.5	1.7	4.4	5.9
52-week Range (Rs)	898/548	EPS (Rs)	3.1	10.0	25.6	34.7
Free Float (%)	54.5	% Chg YoY	(86.0)	225.2	156.3	35.6
FII (%)	34.9	P/E (x)	278.9	85.8	33.5	24.7
Daily Volume (US\$/'000)	2,382	P/B (x)	3.0	2.9	2.7	2.5
Absolute Return 3m (%)	2.1	EV/E (x)	37.7	24.0	14.9	12.2
Absolute Return 12m (%)	39.3	Dividend yield (%)	0.5	0.5	0.5	0.5
Sensex Return 3m (%)	11.9	RoCE (%)	4.0	5.6	8.5	10.1
Sensex Return 12m (%)	53.4	RoE (%)	0.9	3.2	8.2	10.3

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Largest pan-India mall owner and developer

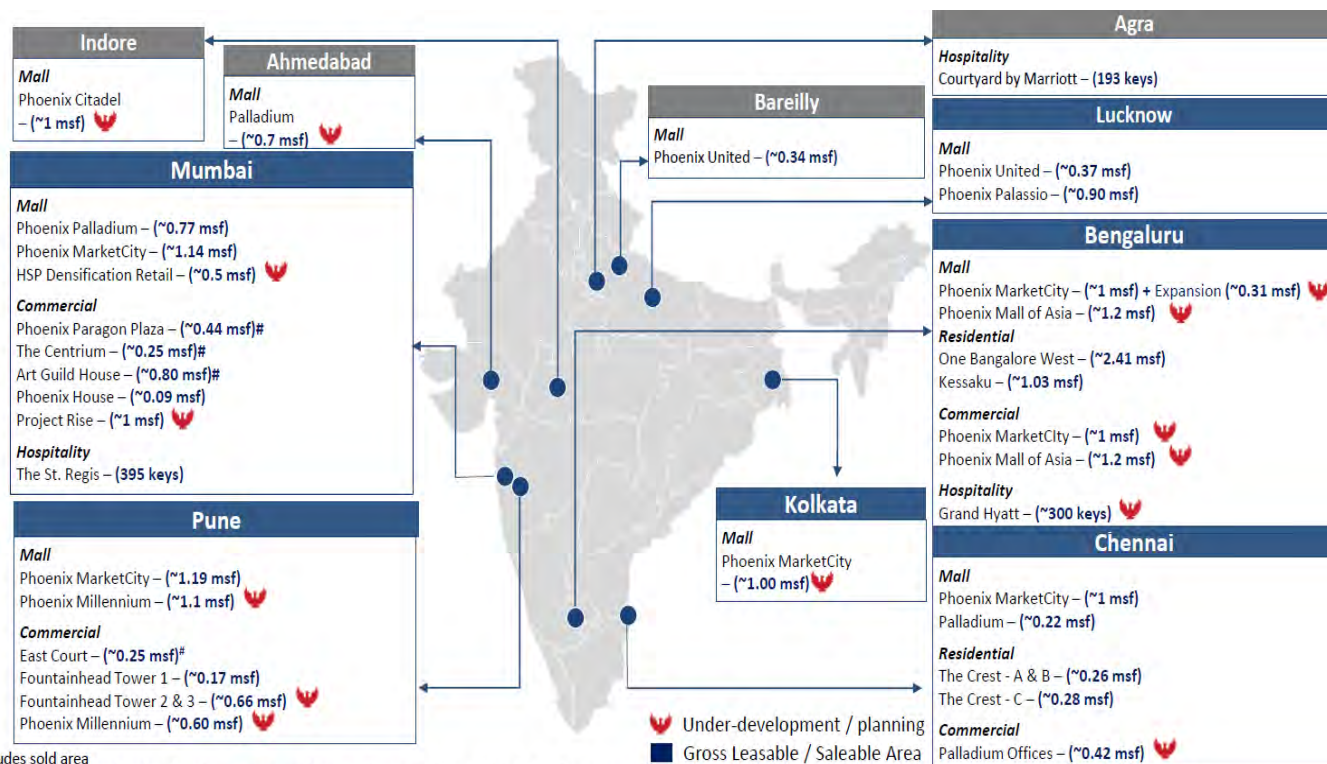
Strong mall operator with marquee operational assets

The Phoenix Mills (PHNX) currently has nine operational malls spread over 6.9msf which have achieved like-for-like 15% consumption CAGR over FY13-FY20 and 14% rental income CAGR over the same period. This has been achieved through a prudent tenant mix across its malls where higher share of F&B and entertainment tenants have helped to boost consumption and rentals.

PHNX also has six under-construction and under-development malls which are expected to be operational over FY22-26E spread over 6.0msf across Mumbai, Bengaluru, Pune, Ahmedabad, Kolkata and Indore.

PHNX also has 4.0msf of residential projects under development which have clocked ~Rs18.5bn of cumulative sales till date and also operates two hotels having 588 keys including the marquee St. Regis hotel in Mumbai.

Chart 1 : PHNX's asset portfolio across India



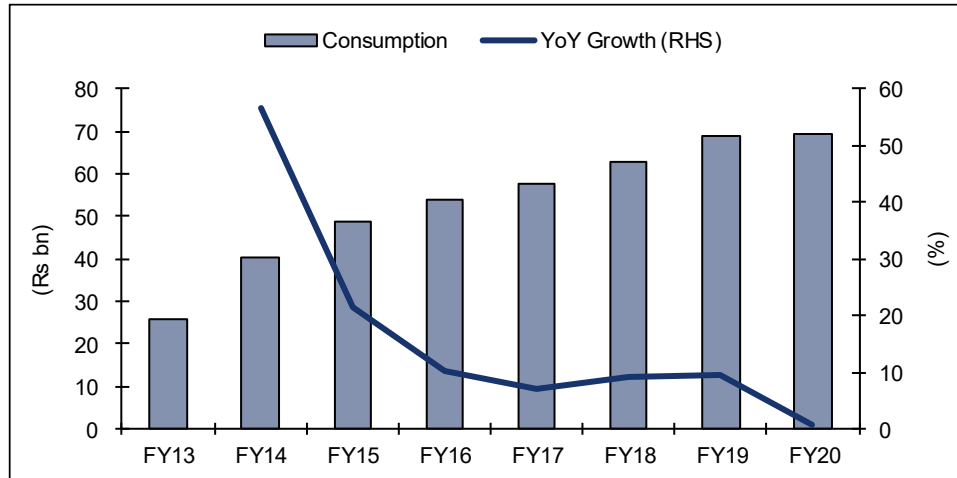
Includes sold area

Under development and under planning assets are subject to change and carry risks of planning, approvals, execution and market conditions which may be beyond the control of the Company.

GLA is an estimate based on current plans and market/company norms and is subject to change based on changes in development plans and tenant negotiations. Data as on 30 June 2021.

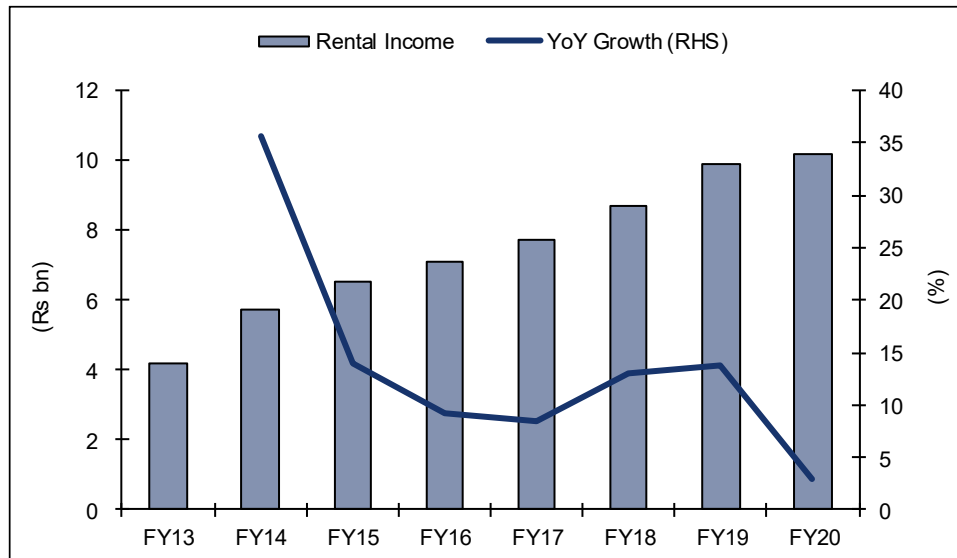
Source: Company data, I-Sec research

Chart 2 : Consumption CAGR of 15% over FY13-FY20



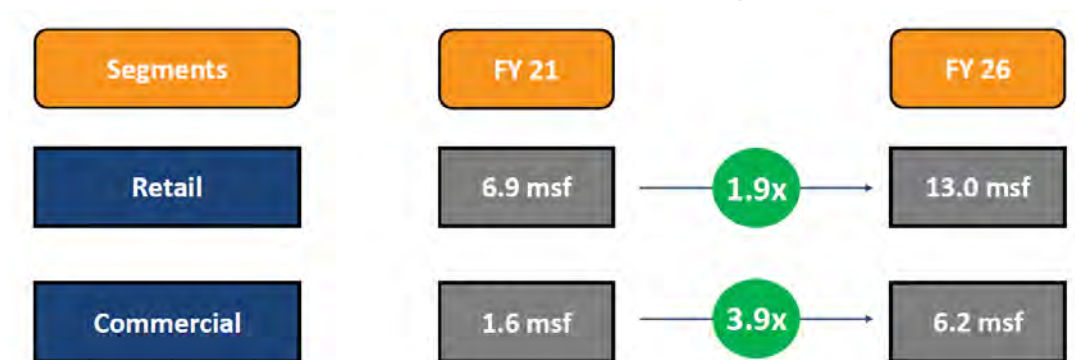
Source: Company data, I-Sec research

Chart 3: Rental income CAGR of 14% over FY13-FY20



Source: Company data, I-Sec research

Chart 4: PHNX Expansion Plans in Retail and Office segment



Source: Company data, I-Sec research

Key Excerpts from FY21 Annual Report

Excerpts from the comments by Mr. Atul Ruia, the Chairman of Phoenix Mills from the FY21 annual report:

“This year has proved the importance of our purpose like never before. The pandemic has acted as a catalyst for many trends such as online shopping and more flexible working. However, it also underscored the validity and relevance of experiential based places that cater to the indefatigable human urge for social shopping, work, and entertainment. While digitalization has added a new dimension of convenience to our lifestyles, the pandemic has reminded us how indispensable and purposeful physical spaces, social engagement and experiences are to our spirit.

“Our income from operations for FY2021 stood at Rs10,733mn. This was at 55% of FY2020, marked by reduced operations due to multiple mandatory lockdowns. Our FY2021 EBITDA stood at Rs4,942mn, which was at 51% of FY2020, and we have reported a profit after tax of Rs526mn. We raised ~Rs30bn in equity through a highly successful QIP; the expansion of our joint venture with Canada Pension Plan Investment Board; JV with CPPIB for Kolkata development and the addition of a new joint venture with GIC, Singapore’s sovereign wealth fund. We are on track to deliver on the under-construction malls expand our retail portfolio to >13msf by end of FY26. Beyond that, we endeavour to keep on adding at least 1msf of retail every year.”

“Our malls are experiential social hubs that serve the social need of a safe, convenient environment in a post-pandemic world. **We continue to believe the in long term consumption story of India and this is clearly evident from the consumption recovery (at ~ 93% of July 2019 levels, adjusted for non-operating categories) that we are witnessing at our operational malls in July 2021.** As a leader in retail infrastructure within the world’s most dynamic and large emerging economy, we believe that we’ve just begun to scratch the surface. Our growth agenda through organic growth and new asset formation continues unabated.”

“Our sustainable business model, combined with our proven record of accomplishment for scaling, offers us significant opportunities to continue to generate value for all our stakeholders. At PML, our focus is directed towards becoming a true proxy to the Indian wallet. We want to be at the forefront of driving the consumption story of India. We aim to do this by making our assets the undisputed leaders. in the cities and across different markets in India. While the next phase of growth will be determined by extending presence across the country, we are also equally excited about our growth promise derived from our densification strategy of our existing assets, as many of them harbour substantial potential for further development.”

“At PML, we have always been sensitive to running our business in a sustainable way. During FY2021, we expanded our focus on ESG aspects and sharpened our Sustainability Strategy. Climate Change is by far the most pressing problem facing humankind and life as we know it. At PML, we are approaching energy, water efficiency and waste management not only through systems and technology routes but also through advocacy and sensitization – thus influencing behavioural change.”

Excerpts from the comments by Mr. Shishir Srivastava, the Managing Director of Phoenix Mills from the FY21 annual report:

“This has been an extraordinary year, to say the least, and I am enormously proud of the enduring performance the team delivered. I am particularly gratified with the strong progress we have made across our set plans in activating our new mall in Lucknow; progressing with our asset expansion in line with our targets set to exceed 13 million square feet of retail by FY2026; and sharpening our capital budgeting and overall liquidity to support our growth agenda and resilience. Building on this, we are clearly set on achieving our goals by exploiting our strengths in project management and development; our active and agile management of our operational assets; and our strengthened balance sheet – both on the debt and equity sides. Even though our performance this year clearly reflects the impact of Covid-19, we have further strengthened our finances through strategic equity raising and selective debt pairing, and are well positioned for the opportunities that lie ahead.”

Operational Highlights:

“Looking at our retail business first, consumption swiftly recovered from Q3FY2021 onwards, on account of the increase in mall operational hours across cities; the resumption of F&B; and the demand for the festive season. Consumption recovery in Q4 was ~90% on a like-to-like basis when comparing Q4 FY2021 versus Q4 FY2020. Consumption across all malls stood at Rs33.3bn in FY2021 and was at ~69% of FY2020 on a like-to-like basis. In-line with consumption, retail collections also continued to see sharp improvements, taking the total collection to Rs7.6bn in FY2021. Similar recovery trends were also seen in footfalls and four-wheeler traffic at all our malls, which reached to 83% and 93% respectively, of last year’s level in Q4 FY2021. In terms of our commercial office business, the revenues from this segment were at 98% of last year’s at Rs1,115mn in FY2021. Our commercial office portfolio continues to remain resilient, and our collection efficiency for the commercial portfolio was more than 90%. Since our commercial portfolio was least impacted due to the pandemic, it continues to remain an important pillar for our growth aspirations. Beyond this, we have the potential of developing around 4.6msf of additional area through the ‘densification’ strategy of our existing assets, giving us substantial headroom for growing our commercial space GLA over the foreseeable future. With land costs already paid for and absorbed, we expect to be well placed in terms of incremental returns and competitive positioning.”

Expanding company’s Platform with CPPIB:

“I am extremely pleased to inform you that under the expansion of our relationship with Canada Pension Plan Investment Board (“CPP Investments”), we are partnering with them for development of a retail-led mixed-use project on the recently acquired 7.48-acre land parcel in Alipore, Kolkata, acquired earlier by our 100% subsidiary Mindstone Mall Developers in February 2021. Here, we intend to develop in the first phase a retail development of ~1 million square leasable area. CPP Investments brought in Rs1,800mn for an initial stake of 31.03% on a fully diluted basis. Upon receipt of construction approvals, CPP Investments will further bring in Rs2,040mn taking its aggregate stake in Mindstone Mall Developers to 49% on a fully diluted basis. Taking a conservative approach on using leverage in this development project,

both CPP Investments and PML are committed to making additional equity infusions to fund the construction phase, as required. PML and CPP Investments are also expanding their commitment to the existing joint venture at Bangalore. We have agreed to invest collectively up to Rs8bn in our joint venture entity Island Star Mall Developers, in tranches as required in the ratio of our respective shareholding. The joint venture at Bangalore was formed in 2017 to develop, own and operate retail led mixed use developments across India, where Phoenix Market City Bangalore served as the seed asset for the alliance. In addition to owning and operating Phoenix MarketCity Bangalore, Island Star Mall Developers owns and is currently developing under subsidiaries, three retail led mixed use projects – Phoenix Millennium, Wakad Pune, Phoenix Mall of Asia, Hebbal –Bangalore, and Phoenix Citadel, Indore.”

Forming a new Platform with GIC:

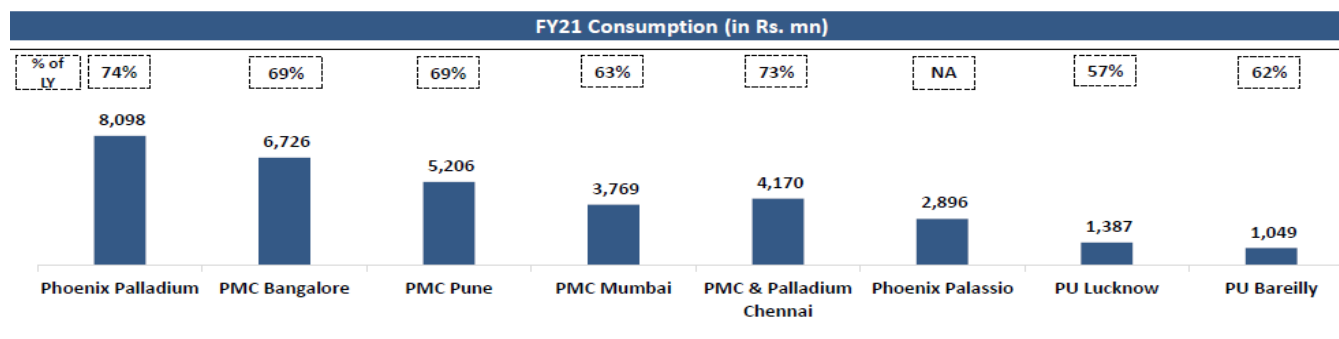
“In June 2021, GIC, Singapore’s sovereign wealth fund, and PML entered into a strategic partnership to establish an investment platform to develop, own, and operate retail-led, mixed-use developments in India. In this arrangement, GIC agreed to acquire a significant minority stake in a portfolio of retail-led mixed-use developments, located in the prime consumption centres of Mumbai and Pune. These assets, totalling ~3.4 million square feet of leasable retail and office space, are currently amongst PML’s most prime and well-performing operational assets. GIC initially acquired an equity stake of ~26.4% in a set of PML Subsidiaries by investing an aggregate amount of approximately `Rs11.11bn in of a combination of primary infusion and secondary purchase of equity shares in the said PML Subsidiaries. The platform is valued at a pre-money enterprise value of Rs55bn. GIC’s stake may further increase to ~33%-36% in the subsidiaries through an additional infusion of up to Rs4bn within 12-month period from closing. The primary proceeds from the transaction are intended to be utilized by the JV Subsidiaries as growth capital for further expansion and acquisition of greenfield, brownfield & operational mall opportunities. The secondary proceeds will bolster PML’s safety net in the near term, fund various under-construction projects and act as war chest for further acquisitions in the medium term.”

COVID impacted FY21 consumption/rentals

Owing to COVID-19 concerns, State Governments across India had ordered mall closures from 14th March, 2020 onwards for an indefinite period in cities such as Mumbai, Bengaluru, Pune and Chennai where PHNX's malls were located. As per our checks, only supermarkets (groceries) in malls in these cities were operational. However, multiplexes, apparel/department stores, food QSRs and other retailers faced a double whammy of lost sales and having to pay store rentals which typically range between 15-25% of store revenue/consumption. However, since July 2020 onwards, all of PHNX's nine malls reopened across India with multiplexes/food courts/gaming/entertainment zones yet to open in the malls. **For FY21, mall consumption of Rs33.3bn was at 69% of FY20 levels while rental income of Rs5.6bn stood at 55% of FY20 levels which implies a 45% LTL rental loss owing to waivers given to tenants in FY21.**

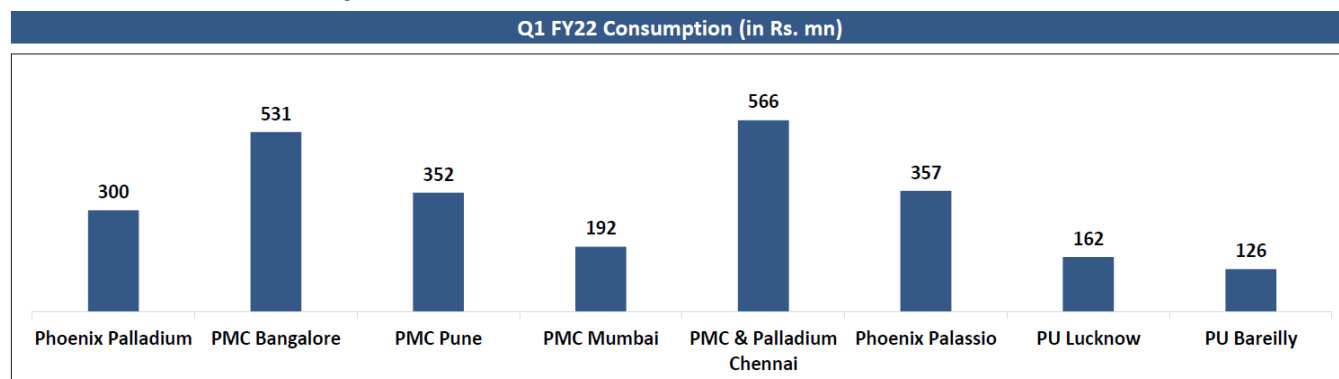
Along expected lines, mall shutdowns across India owing to second Covid wave impacted PHNX's operations. Q1FY22 billings (including CAM) of 2.3bn were higher than Q1FY21 levels of Rs1.2bn with few malls (ex-Mumbai/Pune) re-opening in Jun'21 vs. a complete shutdown in the previous year. While Mumbai/Pune malls have partially reopened, consumption across balance operational malls in Jul'21 has been encouraging at Rs2.0bn or 93% of Jul'19 levels. **While rental waivers are likely again in H1FY22, company expects retail rentals to revert to pre-Covid levels in H2FY22 assuming no third wave of Covid. We build in a 30% LTL rental loss in FY22E.**

Chart 5: Consumption in FY21 at 69% of FY20 levels on like-to-like basis



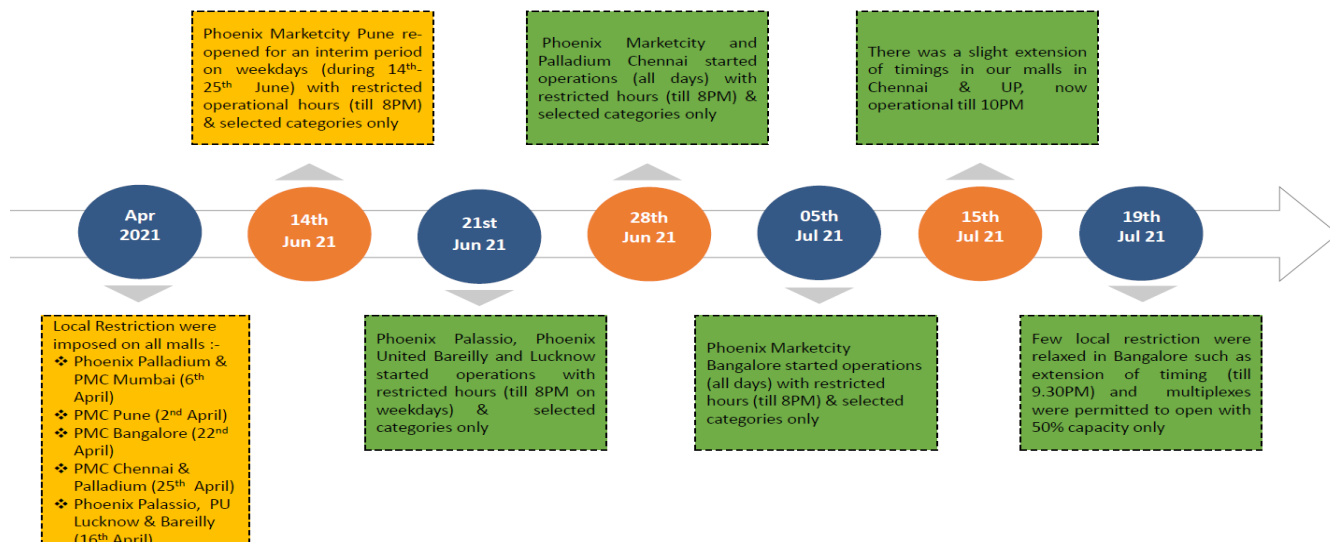
Source: Company data, I-Sec research

Chart 6: Q1FY22 consumption across malls at Rs2.6bn vs. Rs14.4bn in Q4FY21



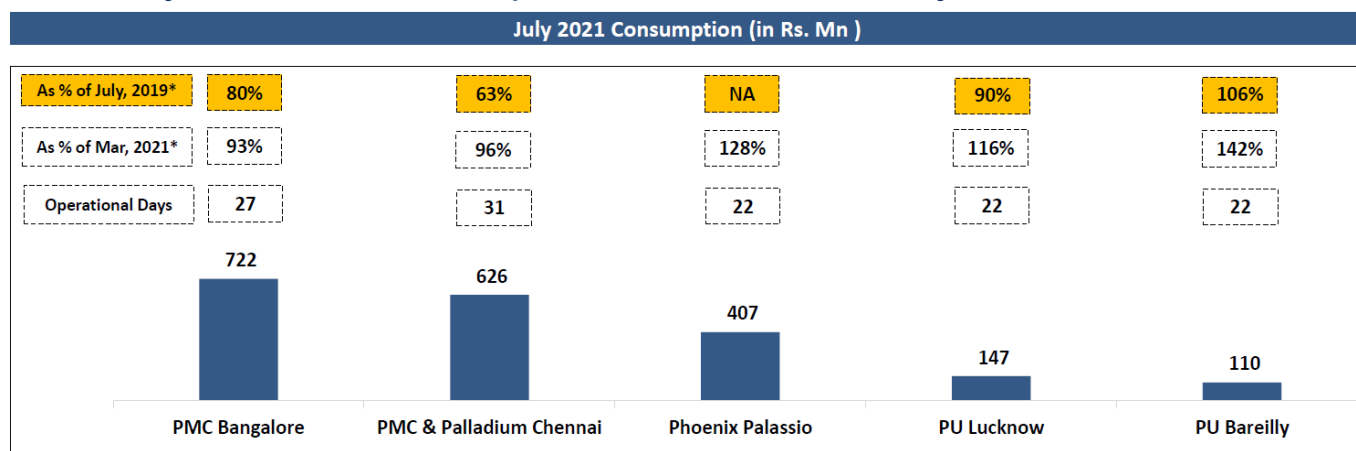
Source: Company data, I-Sec research

Chart 7: Mall re-opening timeline post second Covid wave in Q1FY22



Source: Company data, I-Sec research

Chart 8: July 2021 like-to-like consumption across malls at 93% of July 2019 levels



- The pace of recovery in consumption across our malls (ex Maharashtra) was very encouraging in July, 2021.
- Consumption across our malls (ex Maharashtra) resumed at Rs 2.0 bn in July, 2021 – adjusted for # of operational days and select non-operational categories, July 2021 consumption is at 93% of July 2019 and 120% of March 2021.

Source: Company data, I-Sec research, *% are calculated after considering effective operational days in each mall in base year. Consumption at Multiplex and FEC has also been adjusted in base year calculation

Table 1: Q4FY21 and FY21 Asset wise quarterly operating metrics

Rs mn	Q4FY21	% of Q4FY20	FY21	% of FY20
Retail Rental Income (ex-CAM)				
High Street Phoenix (HSP)	662	85%	1,962	56%
Bengaluru Market City	293	95%	779	55%
Pune Market City	336	96%	848	51%
Kurla Market City	255	90%	615	48%
Chennai Market City*	338	88%	782	43%
Lucknow Pallasio	161	NA	321	N.A.
Phoenix United, Bareilly	64	89%	181	57%
Phoenix United, Lucknow	57	113%	145	65%
Total	2,167	97%	5,632	55%
Retail EBITDA				
High Street Phoenix (HSP)	539	68%	1,476	47%
Bengaluru Market City	309	104%	837	57%
Pune Market City	338	104%	823	50%
Kurla Market City	276	114%	639	52%
Chennai Market City*	359	104%	811	45%
Lucknow Pallasio	171	N.A.	327	N.A.
Phoenix United, Bareilly	61	92%	170	60%
Phoenix United, Lucknow	53	99%	149	72%
Total	2,105	99%	5,231	54%

Source: Company data, I-Sec research, *Includes Palladium Chennai

Table 2: Q1FY22 Asset wise quarterly operating metrics

Rs mn	Q1FY22	% of Q1FY20	Q1FY21	% of Q1FY20
Retail Rental Income (ex-CAM)				
High Street Phoenix (HSP)	293	33%	344	39%
Bengaluru Market City	112	31%	120	33%
Pune Market City	109	25%	125	29%
Kurla Market City	88	27%	87	27%
Chennai Market City*	149	32%	134	29%
Lucknow Pallasio	72	NA	NA	NA
Phoenix United, Bareilly	28	36%	21	27%
Phoenix United, Lucknow	19	33%	12	22%
Total	870	34%	843	32%
Retail EBITDA				
High Street Phoenix (HSP)	349	45%	269	34%
Bengaluru Market City	121	31%	135	35%
Pune Market City	98	22%	118	27%
Kurla Market City	81	25%	78	24%
Chennai Market City*	140	28%	124	25%
Lucknow Pallasio	81	NA	NA	NA
Phoenix United, Bareilly	30	42%	26	37%
Phoenix United, Lucknow	20	34%	17	29%
Total	919	36%	760	30%

Source: Company data, I-Sec research, *Includes Palladium Chennai

Well-funded for growth

In FY19, PHNX received the additional balance infusion of Rs9bn from CPPIB towards its 49% stake in the Island Star, Bengaluru Mall SPV. This money was redeployed for equity infusion in 3 upcoming mall projects in Hebbal in Bengaluru, Wakad in Pune and Indore Mall.

In FY20, overall gross debt remained flat Rs45.7bn with debt in operational assets reducing marginally on a YoY basis by Rs1.3bn to Rs44.2bn. However, incremental capex on the Palladio Lucknow Mall, led to PHNX having Rs5.5bn of under-construction debt. As of March 2021, PHNX had cash and liquid investments of over Rs7.0bn as mall closures took place owing to COVID-19.

Since August 2020, PHNX has raised ~Rs30bn of equity capital through a Rs11bn QIP in Aug'20, Rs3.84bn from CPPIB for 49% stake in greenfield Kolkata Mall in May'21, Rs3.9bn of fresh equity commitment from CPPIB in existing Island Star Mall SPV in May'21 and Rs11.1bn from GIC Singapore as first tranche of investment for 26.44% stake in Pune and Kurla malls and offices. This should enable the company to tide over any cash flow mismatches in FY22-23E and also keeps the company well-funded to pursue any strategic acquisitions for new assets.

Table 3: PHNX Consolidated Balance Sheet FY18-21

	FY18	FY19	FY20	FY21	FY21 chg YoY	Comments
Sources of Capital:						
Equity Share Capital	306	307	307	344	37	On account of QIP issuance in Aug'20 Net profit for the year less dividends and Rs11bn of QIP proceeds in Aug'20
Reserves & Surplus	28,213	34,435	36,777	48,504	11,727	
Net Worth	28,519	34,741	37,083	48,848	11,764	
Minority Interest	4,661	12,233	12,788	13,190	402	CPPIB share of profits in FY21
Gross Debt	40,121	45,469	45,731	44,865	(866)	Operational asset debt down marginally YoY ex-Lucknow. Operational asset debt of Rs44.6bn (includes Rs4.1bn for Lucknow mall and under-construction debt of Rs0.3bn for capex in retail assets).
Deferred Taxes	(1,394)	(1,390)	(612)	(1,237)	(624)	
Total Sources of Capital	71,907	91,053	94,990	105,666	10,676	
Assets:						
Total current assets	13,763	18,159	19,117	22,217	3,010	Increase in trade receivables and cash balances Cash and liquid investments of Rs10.3bn as of March 2021. Post recent of first tranche of GIC PE investment of Rs11.1bn and Rs3.9bn from CPPIB in Q1FY22, this currently stands at ~Rs23.5bn
Of which cash and cash equivalents	406	1,920	1,407	5,139	3,732	
Total current liabilities and provisions	11,821	8,716	9,871	7,664	(2,208)	
Net current assets	1,942	9,444	9,246	14,463	5,217	
Investments & Goodwill	12,001	11,161	9,608	9,451	(157)	Decline in current investments
Net fixed assets	52,939	61,489	60,795	69,013	8,217	Completion of Lucknow mall Lucknow mall capitalized during FY21 and capex on upcoming retail projects
Capital WIP	5,025	8,960	15,341	12,740	(2,601)	
Total Assets	71,907	91,053	94,990	105,666	10,676	

Source: Company, I-Sec Research

Operational retail portfolio to be ~13msf by FY26E

PHNX has closed six acquisitions – land parcels in Bengaluru, Ahmedabad and Kolkata, under-construction retail assets in Lucknow and Indore between FY19-21. Along with the Wakad, Pune land acquisition in FY18, PHNX's under construction retail leasable portfolio has increased to ~6.1msf. PHNX also has further mixed-use development potential on these assets. We expect PHNX to incur total capex of Rs60bn (including land) for development of these assets over FY19-26E funded by a 50:50mix of equity and debt.

Table 4: PHNX's under construction retail portfolio

Project	Partnership/JV	Land Size (acres)	Development Potential	Land Cost	Comments
Pune	PHNX-CPPIB – 51% PHNX stake	15	1.7msf (1.1msf retail and 0.6msf offices)	Rs1.94bn	Construction commenced in Feb 2019. Civil work has been completed till G+2 slab. Incurred capex of Rs5.5bn. Expect operations to commence in FY24
Bengaluru	PHNX-CPPIB – 51% PHNX stake	13	2.4msf (1.2msf retail and 1.2msf offices)	Rs6.99bn	Construction commenced in Feb 2019. Excavation has been completed and civil work has been completed till G+3 slab. Incurred capex of Rs9.4bn. Expect operations to commence in FY24E
Indore	PHNX-CPPIB – 51% PHNX stake	19	1.0msf retail	Rs2.58bn	Acquired under-construction retail development. Balance construction commenced in June 2019. Expect operations to commence in FY23. Work is at an advanced stage. Incurred capex of Rs3.8bn
Ahmedabad	50:50 JV with Bsafal Group	5.2	0.7msf retail	Rs4.1bn	Formed a 50:50 JV with Bsafal Group. Expect operations to commence in FY23E. Capex incurred is Rs5.5bn. Civil work up to G+2 slab in progress
Kolkata	PHNX-CPPIB – 51% PHNX stake	7.5	1.0msf retail	Rs3.0bn	Construction to commence in FY22E and be ready by FY26E

Source: Company data, I-Sec research

Project Rise at HSP to be operational by FY26E

PHNX has commenced construction on Project Rise at High Street Phoenix (HSP) at Lower Parel, Mumbai comprising of 1.0msf of offices and 0.2msf of retail. As per company, the project has a total estimated cost of Rs10.0bn and Rs2.8bn of FSI premium and Rs0.7bn of approval costs have been paid in Jun'21 to kickstart construction. The project is estimated to be completed in FY25E and have first full year of operations in FY26E. We estimate over Rs3bn of rental NOI in FY26E from this asset and value this project at an EV of Rs26.0bn adjusting for FY22 capex.

Valuations & views

- We like PHNX because: (1) it has a strong brand recall and the market leader in malls across India (2) it has strong pipeline of projects and (3) it is a derivative play on the Indian consumption story.
- We have valued PHNX on SoTP basis with a combination of DCF-based NAV on FY22E basis assuming a cap rate of 8% for rental assets.
- **We reiterate our BUY rating with an unchanged Mar-22 SoTP based target price of Rs1,231/share which includes Phoenix Rise office and retail project of 1.3msf at High Street Phoenix and assume 30% like-to-like retail rental income loss in FY22E as compared to FY20 and incorporate first tranche of GIC fund infusion of Rs11.1bn in the identified asset SPVs. We retain our 10% premium to NAV considering growth opportunities from growth capital raised from GIC PE and CPPIB platform deals.**
- **Key risks to our call are an extended second Covid wave impacting mall consumption and fall in mall occupancies and rentals.**
- Our NAV factors in a one-time like-for-like loss of Rs3.0bn of rental income in FY22E across existing malls and 6-9 months delay in under construction assets.
- Key upside risks are: Higher than expected rental income growth across operational malls and under-construction malls achieving higher than estimated rental income on commencement of operations.

Table 5: Key historical numbers and assumptions (including new assets)

Year ending March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Rental properties							
Net rental income - 100% share	8,693	9,762	10,275	5,632	8,342	12,793	16,336
Net rental income - PHNX share	7,405	8,211	8,643	4,845	6,632	9,975	11,966

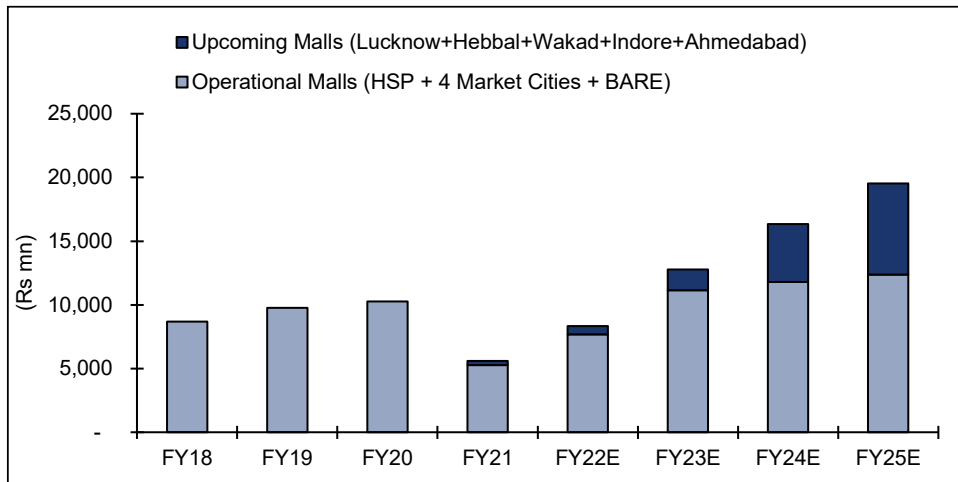
Source: Company data, I-Sec research estimates

Table 6: SoTP valuation

Project	PHNX FY22E GAV (Rs mn)	Rs/share	% of GAV
High Street Phoenix – Palladium	51,224	299	23.9
High Street Phoenix - Rise	26,057	152	12.1
Kurla (Offbeat Developers) – for 74% stake	13,501	79	6.3
Pune (Vamona Developers) – for 74% stake	17,452	102	8.1
Bengaluru East (Island Star) – for 51% stake	12,796	75	6.0
Pune Wakad (CPPIB-Island Star) – for 51% stake	4,978	29	2.3
Bengaluru Hebbal (CPPIB-Island Star) – for 51% stake	10,113	59	4.7
Ahmedabad Market City (BSafal) – for 50% stake	3,487	20	1.6
Indore Market City (CPPIB-Island Star) – for 51% stake	4,106	24	1.9
Lucknow – Gomti Nagar Market City – for 100% stake	15,476	90	7.2
Kolkata Market City – for 51% stake (Palladium/Platinum)	4,254	25	2.0
Bengaluru West (Palladium/Platinum)	7,840	46	3.7
Chennai (Classic Mall) – for 50% stake	12,840	75	6.0
St. Regis Hotel (Pallazio)	11,767	69	5.5
BARE (Lucknow & Bareilly)	8,514	50	4.0
Others	10,131	59	4.7
Total GAV	214,535	1,253	100.0
Less: FY22E Net Debt (PHNX economic share)	23,022	134	
FY22E NAV	191,513	1,119	
Add: 10% premium to NAV	19,151	112	
Target Price	210,664	1,231	

Source: I-Sec research estimates

Chart 9: Rental income CAGR of 14% over FY20-25E



Source: Company data, I-Sec research estimates

Financial Summary (consolidated)

Table 7: Earnings statement
(Rs mn, year ending March 31)

	FY21	FY22E	FY23E	FY24E
Net Sales	10,733	15,362	22,221	27,485
Operating Expenses	5,792	7,888	9,960	12,637
EBITDA	4,941	7,474	12,261	14,848
<i>% margins</i>	46%	49%	55%	54%
Depreciation & Amortisation	2,094	2,261	2,944	3,085
Interest expenses	3,478	3,740	3,732	3,808
Other Income	923	969	1,017	1,068
Exceptional items	-	-	-	-
PBT	292	2,442	6,603	9,023
Less: Taxes	(47)	488	1,321	1,805
PAT before				
Minority/Associate	338	1,954	5,282	7,218
Minority/Associate share	187	(245)	(904)	(1,283)
Net Income (Reported)	525	1,708	4,378	5,935

Source: Company data I-Sec research

Table 8: Balance sheet
(Rs mn, year ending March 31)

	FY21	FY22E	FY23E	FY24E
Assets				
Total Current Assets	22,127	32,651	30,028	31,967
<i>of which cash & cash eqv.</i>	5,139	15,913	13,539	15,729
Total Current Liabilities & Provisions	7,664	7,227	7,871	8,578
Net Current Assets	14,463	25,424	22,157	23,389
Goodwill/Investments	9,451	11,451	13,451	15,451
Net Fixed Assets	69,013	69,061	69,811	71,148
Capital WIP	12,740	22,079	28,329	31,438
Total Assets	1,05,666	1,28,015	1,33,748	1,41,426
Liabilities				
Borrowings	44,865	48,865	49,865	50,865
Equity Share Capital	344	344	344	344
Reserves & Surplus*	48,504	49,511	53,189	58,423
Net Worth	48,848	49,855	53,532	58,766
Minority Interest	13,190	30,531	31,588	33,031
Deferred Taxes	(1,237)	(1,237)	(1,237)	(1,237)
Total Liabilities	1,05,666	1,28,015	1,33,748	1,41,426

Source: Company data I-Sec research

Table 9: Cashflow statement
(Rs mn, year ending March 31)

	FY21	FY22E	FY23E	FY24E
PBT	292	2,442	6,603	9,023
Depreciation	2,094	2,261	2,944	3,085
Non-Cash Adjustments	(913)	(912)	(911)	(911)
Working Capital Changes	(927)	(186)	893	958
Taxes Paid	47	(488)	(1,321)	(1,805)
Operating Cashflow	592	3,116	8,209	10,351
Capital Commitments	(6,949)	(11,648)	(9,945)	(7,531)
Free Cashflow	(6,357)	(8,532)	(1,736)	2,820
Other investing cashflow	-	(2,000)	(2,000)	(2,000)
Cashflow from Investing				
Activities	(6,949)	(13,648)	(11,945)	(9,531)
Issue of Share Capital*	11,357	16,950	-	-
Inc (Dec) in Borrowings	(2,228)	4,000	1,000	1,000
Dividend paid	(3)	(701)	(701)	(701)
Cashflow from Financing				
activities	9,127	20,249	299	299
Chg. in Cash & Bank				
balances	2,770	9,717	(3,437)	1,119

Source: Company data I-Sec research, *QIP issue in FY21

Table 10: Key ratios
(Year ending March 31)

	FY21	FY22E	FY23E	FY24E
Per Share Data (Rs)				
EPS	3.1	10.0	25.6	34.7
Cash EPS	15.3	23.2	42.8	52.7
Dividend per share (DPS)	4.1	4.1	4.1	4.1
Book Value per share (BV)	285.4	291.2	312.7	343.3
Growth (%)				
Net Sales	(44.7)	43.1	44.6	23.7
EBITDA	(48.9)	51.3	64.1	21.1
PAT	(84.3)	225.2	156.3	35.6
Valuation Ratios (x)				
P/E	278.9	85.8	33.5	24.7
P/BV	3.0	2.9	2.7	2.5
EV / EBITDA	37.7	24.0	14.9	12.2
Dividend Yield	0.5	0.5	0.5	0.5
Operating Ratios				
Debt/EBITDA (x)	9.1	6.5	4.1	3.4
Net D/E	0.8	0.7	0.7	0.6
Return Ratios (%)				
RoE	0.9	3.2	8.2	10.3
RoCE	4.0	5.6	8.5	10.1
EBITDA Margins	46.0	48.7	55.2	54.0
Net Income Margins	4.9	11.1	19.7	21.6

Source: Company data I-Sec research

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