

Phoenix Mills

Gradual recovery to normalcy

Phoenix Mills (PHNX) reported revenue at Rs 2.1bn, -48%/+60% YoY/QoQ and 15% ahead of our estimate. However, lower-than-expected EBITDA margin and higher interest costs led to loss of Rs 359mn (vs estimated loss of Rs 137mn). All the retail assets have been operating since the end of the quarter. While consumption had reached to 40-55% across major malls in 2QFY21, it reached to 85% of pre-COVID level during the first week of November-20, aided by longer operational hours, opening of F&B section and festive season. Revenue from commercial was at 94% of 2QFY20. Residential segment also posted strong recovery with sales of Rs 447mn. On the back of QIP in August, net debt reduced to Rs 34bn from Rs 43bn on Mar 20-end with net D/E at 0.72x (vs 1.15x at the end of FY20). Despite the near term challenges, we maintain BUY on PHNX given its strong positioning and healthy balance sheet. We tweak our FY21/22/23 estimates and raise TP to Rs 841/sh (vs Rs 828/sh earlier).

- Consumption recovery playing out :** PHNX registered QoQ growth of 60% in revenue as consumption reached 40-45% of pre-COVID level. Revenue from retail segment reached 45% of 2QFY20. The company has concluded renegotiation with 90% of the retailers and has provided discount on minimum guarantee (MG) rent with 150-200bps higher revenue share till Mar-21 or till consumption increases to 80% of pre-COVID, whichever is earlier. The increased revenue share will continue for short period of time after Mar-21 for some of the retailers, allowing PHNX to claw-back a part of the discount extended to retailers. Management expects retail income at 50% of FY20 level vs 45% guidance earlier.
- Balance sheet remains stable with strong liquidity:** Consolidated net debt decreased to Rs 34bn from Rs 43bn on Mar-20, on the back of QIP done in August-20. Average cost of borrowing reduced to 8.9% from 9.14% in 1QFY21 and is likely to decrease further by FY21-end. Despite the challenges, PHNX generated positive operating cash flow of Rs 963mn during 1HFY21. Management expects all the retail assets to be able to service their debt from Nov-20, without any support from the parent. Of the Rs 15bn balance capex for four upcoming malls, Rs 1.8bn would be incurred in 2HFY21 and remaining would be spend over FY22-23. All the four malls are expected to be operational by early FY24, which could boost earnings.

Consolidated Estimate Change Summary

(Rs mn)	FY21E			FY22E			FY23E		
	Old	New	% dif.	Old	New	% dif.	Old	New	% dif.
Revenue	10,643	10,564	(0.7)	18,969	18,850	(0.6)	21,972	21,841	(0.6)
EBITDA	4,611	4,532	(1.7)	9,717	9,598	(1.2)	12,214	12,084	(1.1)
EBITDA margin	43%	43%	(0.4)	51%	51%	(0.3)	56%	55%	(0.3)
APAT	(435)	(361)	NA	2,615	2,664	1.9	4,224	4,330	2.5

Consolidated Quarterly/Annual Financial summary

YE March (Rs mn)	2QFY21	2QFY20	YoY (%)	1QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	2,149	4,151	(48.2)	1,347	59.5	19,411	10,564	18,850	21,841
EBITDA	917	2,108	(56.5)	702	30.6	9,671	4,532	9,598	12,084
APAT	(359)	580	NA	(425)	NA	3,347	(361)	2,664	4,330
Diluted EPS (Rs)	(2.3)	3.8	NA	(2.8)	NA	21.9	(2.1)	15.5	25.2
P/E (x)						28.4	(296.2)	40.1	24.7
EV / EBITDA (x)						14.2	30.9	15.0	11.7
RoE (%)						8.4	(1.7)	4.8	7.8

Source: Company, HSIE Research

BUY

CMP (as on 13 Nov 2020)	Rs 622
Target Price	Rs 841
NIFTY	12,720

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	Rs 828	Rs 841	
	FY21E	FY22E	FY23E
EPS %	NA	1.9	2.5

KEY STOCK DATA

Bloomberg code	PHNX IN
No. of Shares (mn)	172
MCap (Rs bn) / (\$ mn)	107/1,433
6m avg traded value (Rs mn)	303
52 Week high / low	Rs 980/465

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	3.9	16.4	(14.2)
Relative (%)	(9.5)	(19.3)	(22.5)

SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	59.11	45.56
FIs & Local MFs	10.80	15.67
FPIs	25.74	33.91
Public & Others	4.35	4.86
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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