

Phoenix Mills

All-round recovery

Phoenix Mills (PHNX) reported strong recovery as revenue came in 7% ahead of our estimate and surprised positively on EBITDA margin for the quarter (47% vs 40% est.). Consequently, PAT came in at Rs 654mn, against our estimated loss of Rs 60mn (aided buy Rs 249mn of MAT credit reinstatement). Consumption recovered to 67% of 3QFY20 level during 3QFY21 on the back of festive season and further improved to 83% in Jan-21. Revenue from commercial was at 94% of 3QFY20. Residential segment also posted strong recovery with sales of Rs 556mn. Hospitality business has started breaking even from 3QFY21. Despite the near term challenges, we expect PHNX FY22E rental to be at par with FY20E as discount unwinds to pre-COVID contract rentals including FY21 escalations. Maintain BUY with unchanged TP of Rs 982/sh.

- 3QFY21 consumption recovers to 67% of 3QFY20** : PHNX registered QoQ growth of 57% in revenue as consumption reached 67% of pre-COVID level. Revenue from retail segment reached 69% of 3QFY20 as ~70% of the stores have crossed threshold in December for MG rent to kick in. Management expects rent to normalise from 1QFY22E. Hospitality revenue grew by 26% QoQ. EBITDA came in at Rs 1.6bn, 24% ahead of our estimate on better-than-expected margin (47% vs 40% est.). Finance cost reduced sequentially from Rs 945mn to Rs 857mn. Taxes were negative at Rs 249mn on reinstatement of MAT credit in some of the subsidiaries. Consequently, PAT came in at Rs 654mn, decline of 29% YoY (vs est. loss of Rs 60mn).
- Balance sheet remains stable with strong liquidity**: Consolidated gross debt reduced to Rs 44bn (PML net debt share - Rs 27bn) from Rs 46.4bn in Sep 20-end. The average cost of borrowing further reduced by 42bps to 8.46% in 3QFY21 and is likely to decrease further by FY21-end. Debt to remain at similar level in FY22, as management is not looking draw-down debt for Capex at under-construction assets. PHNX generated positive operating cash flow of Rs 1bn during the quarter. Talks with GIC are progressing well for retail-led mixed-use development platform. The company acquired a land parcel in Kolkata, which would see capital outlay of Rs 8.2bn for Phase-1 development and expects to earn first rental income by FY25E.

Consolidated Quarterly/Annual Financial summary

YE March (Rs mn)	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	3,378	5,118	(34.0)	2,149	57.2	19,411	10,917	18,850	21,841
EBITDA	1,588	2,593	(38.8)	917	73.2	9,671	5,192	9,628	11,994
APAT	654	919	(28.8)	(359)	(282.2)	3,347	350	3,021	4,487
Diluted EPS (Rs)	3.8	5.4	(28.8)	(2.1)	(282.2)	21.9	2.04	17.6	26.1
P/E (x)						37.3	401.3	46.4	31.3
EV / EBITDA (x)						17.3	33.3	18.4	14.6
RoE (%)						8.4	0.4	5.4	7.8

Consolidated Estimate Change Summary

Consolidated (Rs mn)	FY21E			FY22E			FY23E		
	New	Old	% Chg.	New	Old	% Chg.	New	Old	% Chg.
Revenue	10,917	10,917	-	18,850	18,850	-	21,841	21,841	-
EBITDA	5,192	4,880	6.4	9,628	9,636	(0.1)	11,994	12,003	(0.1)
EBITDA margin	47.6	44.7	286.4	51.1	51.1	(4.3)	54.9	55.0	(4.1)
APAT	350	(157)	(322.6)	3,021	2,843	6.3	4,487	4,301	4.3
AEPS (Rs/sh.)	2.0	(0.9)	(322.6)	17.6	16.6	6.3	26.1	25.0	4.3

Source: Company, HSIE Research

BUY

CMP (as on 12 Feb 2021)	Rs 816
Target Price	Rs 982
NIFTY	15,163

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	Rs 982	Rs 982	
	FY21E	FY22E	FY23E
EPS %	NA	6.3	4.3

KEY STOCK DATA

Bloomberg code	PHNX IN
No. of Shares (mn)	172
MCap (Rs bn) / (\$ mn)	140/1,926
6m avg traded value (Rs mn)	369
52 Week high / low	Rs 980/465

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	35.3	36.4	(7.5)
Relative (%)	16.4	2.0	(31.5)

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	45.56	45.53
FIs & Local MFs	15.67	16.78
FPIs	33.91	33.45
Public & Others	4.86	4.24
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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