Phoenix Mills

Well placed

Phoenix Mills (PHNX) reported revenue/EBITDA/APAT at INR 7.3/4.3/1.8bn, (missing)/beating our estimates by (1)/2/0%. Retail consumption stood at INR 22bn, at 59% growth over the pre-Covid level. Excluding new malls, growth was 37% over pre-Covid levels. Consumption was supported by higher growth in jewellery, fashion, electronics and entertainment categories. For FY23, consumption was the highest ever at INR 92bn, beating the guidance of INR 90bn. For FY24, PHNX expects to achieve INR 115bn in consumption (a growth of +25%), with INR 25bn contribution coming from new operational malls i.e. Citadel Indore and Palladium Ahmedabad. The overall trading occupancy excluding new malls stood at ~90%. PHNX expects to bring the overall trading occupancy (including new malls) to 93-95% before Diwali 2023. PHNX is also ramping up its office portfolio with an aim to achieve 7.1msf of the leased assets by FY26 from 2.1msf of the current operational portfolio. In FY24, 0.9msf of the office assets in Hebbal, Bengaluru, will become operational. Given strong traction in consumption, captive mall expansion, the addition of office space, a strong business development pipeline and lower net debt, we maintain BUY, with an unchanged SOTP of INR 1,800/sh.

- **Q4FY23 financial highlights:** Revenue: INR 7.3bn (+47%/+7% YoY/QoQ, a 1% miss). EBITDA: INR 4.3bn (+79%/+12% YoY/QoQ, a 2% beat). EBITDA margin: 59.1% (+1041/+285bps YoY/QoQ, vs est. of 57.4%). RPAT: INR 2.5bn (+142%/+44% YoY/QoQ). Exceptional item: gain of INR 484mn recorded towards the FSI of 4506.17 sq m granted by MCGM to PHNX on account of transfer of land to BMC at Lower Parel measuring 1919.73 sq mm. This land was transferred as it was reserved for a playground. Consequently, APAT was INR 1.8bn (+73%/+3% YoY/QoQ, in line with est.). Total retail rental income was INR 3.4bn (+53% growth over Q4FY20) with an EBITDA of INR 3.5bn (+64% growth over Q4FY20). Excluding new malls, i.e. Palassio Lucknow, Citadel Indore and Palladium Ahmedabad, retail rental income came in at INR 2.9bn (+30% growth over Q4FY20), with EBITDA at INR 3bn (+42% growth over Q4FY20). Income from offices was INR 433mn (+0%/+2.0% YoY/QoQ) with EBITDA margin stable at 63%.
- **Robust consumption:** Retail consumption stood at INR 22bn, at 159% of Q4FY20. Ex-new malls, Q4FY23 consumption was 137% of Q4FY20. For FY23, consumption was INR 92bn (188% of FY22 and 133% of FY20). Consumption was supported by higher growth in the jewellery, fashion, electronics and entertainment categories. Ex-new malls, leased occupancy across malls has improved to an average of 98%, along with trading occupancy of ~90%. For Citadel, Indore and Palladium Ahmedabad, trading occupancy has improved to 70% and 43% resp. Overall, trading occupancy is targeted to reach 93-95% before Diwali 2023.
- **Business development supported by healthy cash flow:** Consolidated gross/net debt stood at INR 40.4/22.8bn from INR 39.5/20.8bn as of Dec'23, with almost all debt on the operational portfolio as new malls became operational. The group liquidity stands at INR 17.6bn. The retail collection was INR 5.7bn (vs INR 5.4bn in Q3FY23). The overall pending capex spend is pegged at INR 46.5bn, with INR 20-23bn expected annually (incl. INR 6-7bn of land capex).

Consolidated financial summary (INR mn)

Particulars	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	7,290	4,954	*47.2*	6,838	*6.6*	14,835	26,383	31,887	38,355
EBITDA	4,307	2,411	*78.7*	3,845	*12.0*	7,339	15,189	19,320	22,557
APAT	1,816	1,048	*73.3*	1,764	*3.0*	2,374	9,423	8,548	10,147
EPS (INR)	10.6	6.1	*73.3*	10.3	*3.0*	13.9	40.8	49.9	59.3
P/E (x)						101.1	34.4	28.1	23.7
EV/EBITDA (x)						10.1	37.3	18.0	14.0
RoE (%)						3.8	17.3	11.1	11.8

Source: Company, HSIE Research

BUY

CMP *(as on 25 May 23)*	INR 1,402
Target Price	INR 1,800
NIFTY	18,321

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,800	INR 1,800
EPS Change %	FY24E -	FY25E -

KEY STOCK DATA	
Bloomberg code	PHNX IN
No. of Shares (mn)	179
MCap (INR bn) / ($ mn)	250/3,061
6m avg traded value (INR mn)	369
52 Week high / low	INR 1,624/990

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	6.6	(3.0)	27.3
Relative (%)	2.5	(2.3)	12.2

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	47.31	47.30
FIs & Local MFs	19.02	18.05
FPIs	29.27	30.37
Public & Others	4.40	4.28
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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Disclosure:

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