

Phoenix Mills

New asset addition to drive growth

Phoenix Mills (PHNX) reported strong revenue/EBITDA/APAT at INR 8.1/4.9/2.4bn, beating our estimates by 6/5/11%. Improving ARR in hospitality and pick-up in office leasing also contributed positively to margin improvement. 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 improved to 94% (90% in Q4FY23). PHNX expects to bring the overall trading occupancy (including new malls) to 95% by Q3FY23. PHNX is also ramping up its office portfolio with an aim to achieve 7.1msf of leased assets by FY26 from 2.5msf of the current operational portfolio. In FY24, 0.9msf of the office assets in Hebbal, Bengaluru, is expected to 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 increased SOTP of INR 2,000/sh.

- **Q1FY24 financial highlights:** Revenue: INR 8.1bn (+41%/+11% YoY/QoQ, a 6% beat). EBITDA: INR 4.9bn (+52%/+14% YoY/QoQ, a 5% beat). EBITDA margin: 60.7% (+59/+166bps YoY/QoQ, vs est. of 61.5%). RPAT/APAT: INR 2.4bn (-20%/+10% YoY/QoQ, 11% beat). Total retail rental income was INR 3.8bn (+17%/+12% YoY/QoQ) with an EBITDA of INR 3.9bn (+19%/+11% YoY/QoQ). Excluding new malls, i.e. Citadel Indore and Palladium Ahmedabad, retail rental income came in at INR 3.4bn (+4/+17% YoY/QoQ) with EBITDA at INR 3.5bn (+8/+17% YoY/QoQ). Income from offices was INR 449mn (+11%/+4% YoY/QoQ), with EBITDA margin stable YoY at 58%.
- **Robust consumption:** Q1FY24 retail consumption stood at INR 25.7bn (+18%/+17% YoY/QoQ). Ex-new malls, consumption was INR 23.9bn (+9%/+13% YoY/QoQ). Consumption was supported by higher growth in jewelry/F&B/fashion/multiplexes growing annually by 31/24/17/3% resp. Gourmet stores and Hypermarkets are making a strong comeback with 88% growth YoY. Ex-new malls, leased occupancy across malls is stable at an average of 98%, along with trading occupancy improving significantly to 94%. For Citadel, Indore and Palladium Ahmedabad, trading occupancy has improved to 86% and 60% resp. Overall, trading occupancy is targeted to reach 95% by Q3FY24.
- **Business development supported by healthy cash flow:** Consolidated gross/net debt stood at INR 40.5/21.7bn from INR 40.4/22.8bn as of Mar'23. The group liquidity stands at INR 18.7bn. The retail collection was INR 6.14bn (vs INR 5.7bn in Q4FY23). With an interest coverage ratio of 5x, PHNX has enough legroom for higher debt and plans to add LRD debt to fund construction and land capex.

Consolidated financial summary (INR mn)

Particulars	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Sales	8,106	5,744	41.1	7,290	11.2	26,383	32,277	40,397	51,115
EBITDA	4,923	3,229	52.5	4,307	14.3	15,189	19,710	24,598	31,035
APAT	2,405	3,011	(20.1)	2,178	10.4	9,423	8,791	11,021	15,567
EPS (INR)	14.0	17.6	(20.1)	12.7	10.4	48.5	51.4	64.4	90.9
P/E (x)						34.9	32.9	26.3	18.6
EV/EBITDA (x)						11.2	21.2	16.2	12.9
RoE (%)						17.1	11.2	12.6	15.6

Consolidated estimate change summary

Particulars	FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	32,277	31,887	1.2	40,397	38,355	5.3
EBITDA	19,710	19,320	2.0	24,598	22,557	9.1
EBITDA (%)	61.1	60.6	47.7	60.9	58.8	208.2
APAT	8,791	8,548	2.8	11,021	10,147	8.6

Source: Company, HSIE Research

BUY

CMP (as on 09 Aug 23)	INR 1,685
Target Price	INR 2,000
NIFTY	19,633

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,800	INR 2,000
EPS Change %	FY24E +2.8	FY25E +8.6

KEY STOCK DATA

Bloomberg code	PHNX IN
No. of Shares (mn)	179
MCap (INR bn) / (\$ mn)	301/3,681
6m avg traded value (INR mn)	414
52 Week high / low	INR 1,798/1,186

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	15.2	23.4	28.9
Relative (%)	8.4	14.9	16.8

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	47.30	47.30
FIs & Local MFs	18.05	19.93
FPIs	30.37	28.55
Public & Others	4.28	4.22
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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Disclosure:

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