



EQUENTIS
THINKING FUTURE

The Phoenix Mills Limited

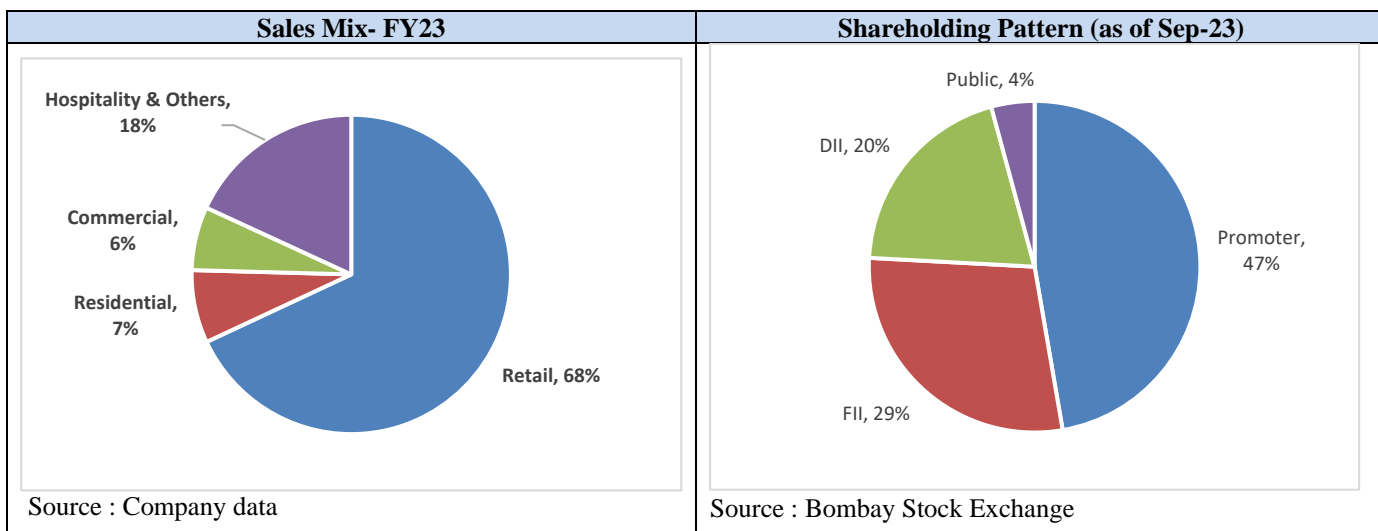
20th October, 2023

Equentis Wealth Advisory Services Ltd

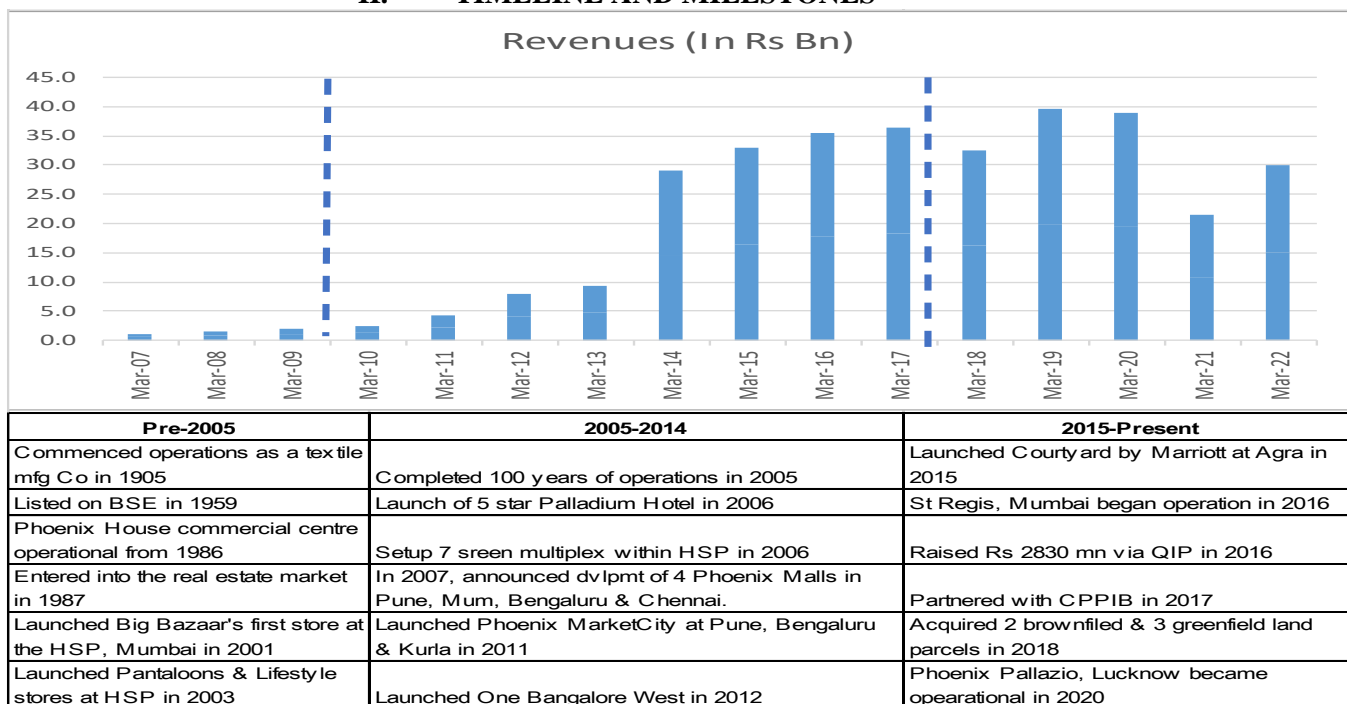
Registered Office: A-603, Marathon Futurex, N. M. Joshi Marg, Lower Parel – East, Mumbai – 400013 India
Type of Registration: Non-Individual, Registration No.: INA000003874, Validity: Dec 08, 2015 – Perpetual
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I. COMPANY BACKGROUND

- **About company-** Phoenix Mills Ltd (Phoenix) (Mcap Rs.333bn, \$4bn @Rs.83.25/USD, FY23 consolidated revenues Rs. 26.4bn, EBITDA Rs. 15.2bn and PAT Rs. 13.3bn) was originally a textile manufacturing company, a mill operating in Lower Parel (Mumbai). Now, Phoenix is India's leading retail mall developer and operator with approximately ~11.1 million sq ft of retail space spread across 13 malls in 8 gateway cities of India. The Company is the pioneer of retail-led mixed-use developments in India and has developed over 2.81 million square meter of area spread across retail, hospitality, commercial and residential asset classes. Besides the 13 operational malls, Phoenix Mills has 3 malls under development with ~3 million sq. ft of retail space.
- **Revenue Streams and Shareholding Pattern-**

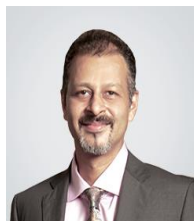


II. TIMELINE AND MILESTONES







Source: Equentis Wealth Advisory research

III. KNOW YOUR PROMOTER



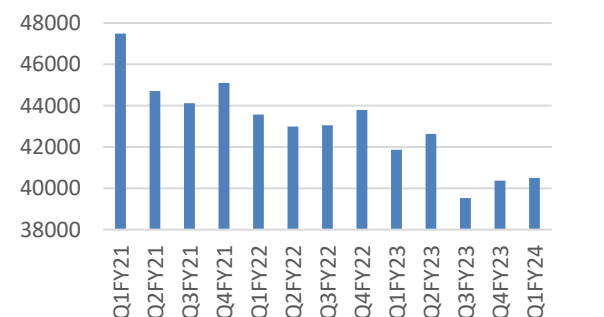
- ✓ **Mr. Atul Ruia** is the Chairman of the Company & belongs to the promoter family.
- ✓ He is a graduate in Chemical Engineering from the University of Pennsylvania and holds a degree in Business Management from the Wharton School of Finance.
- ✓ He joined the Board of PML in 1996 and is the key visionary, pioneer and force behind the development of High Street Phoenix, Mumbai's first retail-led mixed-use destination.
- ✓ It was under his aegis that the Company embarked upon a pan-India asset creation strategy with the flagship brand of 'Phoenix MarketCity'.

IV. KNOW YOUR MANAGEMENT TEAM

Name	Position Held	Comments	
Mr. Shishir Shrivastava	Managing Director	Mr. Shrivastava graduated from IIM, Bengaluru & has been associated with the Phoenix Group since 1999 in various capacities. He saw through the successful culmination of the hotel The St. Regis, Mumbai and Phoenix MarketCity projects, launched in phases. As PML's Managing Director, he continues to drive several critical functions of strategic initiatives, capital raising, acquisitions and business planning & analysis for the Company.	
Mr. Pradumna Kanodia	Director- Finance	Mr. Pradumna Kanodia is a qualified Chartered Accountant and Company Secretary. He has over 30 years of experience in corporate management, finance and commercial matters, fiscal and strategic planning, budgeting and cash flow management. He heads the finance and accounts teams and plays a key role in fund raising and liaising with banks for debt funding.	
Mr. Rajendra Kalkar	President- West & Whole-Time Director	Mr Rajendra is a Bachelor of Engineering & has over 29 years of experience with an expertise in P&L management & driving the strategic intent for the overall business of large retail and mall management companies. He is the President West for Retail business and has oversight of High Street Phoenix Centre with a focus on future development of the property.	
Mr Rajesh Kulkarni	Group Director- Projects Delivery	Rajesh has over 27 years of experience in driving development, planning & implementation of the project from an architectural perspective. He is the Group Director - Projects Delivery & is responsible for driving all the projects of the Phoenix Group. He ensures that the projects are completed within time, cost and with quality.	
Mr Dipesh Gandhi	Group Director- Business Development	Dipesh has over 19 years of experience in business planning & development, market research and organization set-up. He is the Group Director – Business Development and is responsible for developing an overall strategic intent for future expansion. He is also responsible for the Liaison function and for driving teams to achieve the overall objectives of the business.	

Source: Company website

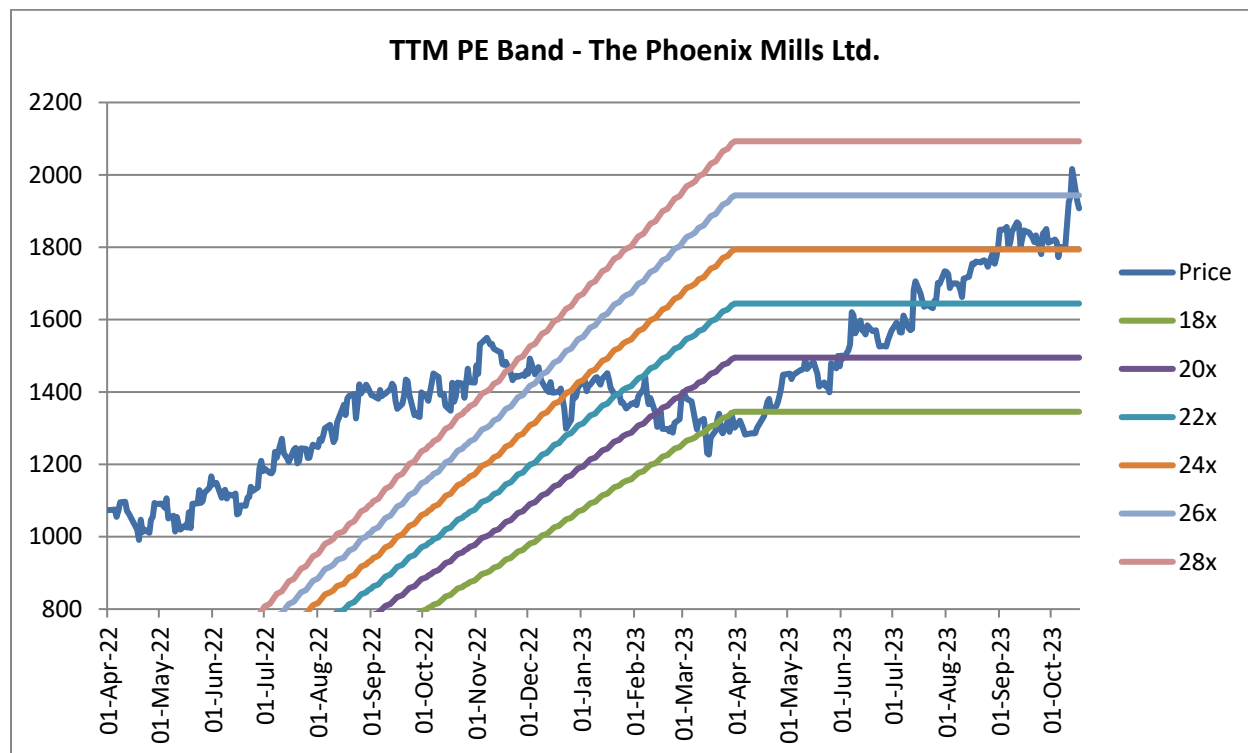
V. COMPANY AND INDUSTRY OVERVIEW

	Comment																															
<p>Diversified portfolio with presence across major cities</p>	<p>Retail</p> <p>Operational Retail Spaces GLA</p> <p>~8 msf</p> <p>Under-development & Under-planning Retail GLA</p> <p>~6 msf</p> <p>Total ~14 msf</p>	<p>Commercial</p> <p>Operational Office Spaces GLA</p> <p>~2 msf</p> <p>Under-development & Under-planning Offices GLA</p> <p>~5 msf</p> <p>Total ~7 msf</p>	<p>Hospitality</p> <p>The St. Regis, Mumbai + Courtyard by Marriott, Agra</p> <p>588 keys</p> <p>Under-planning Grand Hyatt, Bengaluru</p> <p>~400 keys</p> <p>Total ~988 keys</p>	<p>Residential</p> <p>Total Saleable Area</p> <p>~4 msf</p> <p>Completed Area (OC Received)</p> <p>~3 msf</p> <p>Total ~4 msf</p>	<ul style="list-style-type: none"> As on FY23 financial numbers reported by the company it has a well-diversified revenue mix spread over retail, commercial, residential and hospitality segments. The company also has a Pan-India presence covering the top cities of the country. As per the FY23 annual report, Phoenix is the largest retail-led real estate developer in India. 																											
<p>Source: Company data</p>																																
<p>Management is targeting to double the annuity portfolio</p>	<ul style="list-style-type: none"> Phoenix has established itself as a high-quality, pan-India, retail mall developer and operator, on the back of its 9 operating malls. The management is targeting to double its mall portfolio, from 8 mn sq ft as on FY19 to 14mn sq ft. by FY27E. As per management, expansion will be spread across Tier-I/II cities, partly in partnership with CPPIB. It is also planning a sizeable presence of >5m sqft in commercial leasing by FY25, while thinning focus on the Residential and Hospitality segments. 																															
<p>Marquee assets in the hospitality segment</p>	<ul style="list-style-type: none"> Phoenix owns and operates two hospitality properties in Mumbai and Agra, each managed by the Marriott Group, totaling 588 keys. As per the management, The St. Regis, Mumbai and Courtyard by Marriott, Agra are both stable assets as on FY23, registering high single-digit ROCEs. Over time, the management proposes to add a new asset i.e., Grand Hyatt Bengaluru with ~400 keys which will lead to improve revenues within the segment. 																															
<p>Commercial projects to aid growth</p>	<ul style="list-style-type: none"> As per the annual report, Phoenix owns and operates ~2 mn sq ft of grade A commercial, rent generating space across Mumbai and Pune. The management has stated in annual report that, over the next 5-7 years, Phoenix will expand its commercial portfolio to ~7 mn sq ft, through under-development projects at Fountainhead Towers-II and Fountainhead Towers-III in Pune as well as at Phoenix Market City, Chennai. Management also stated that, it is planning to add commercial offices at its flagship property, High Street Phoenix in Mumbai, & Phoenix Market City, Bangalore, plus at Wakad and Hebbal (under-construction). 																															
<p>Company has improved Balance Sheet during tough times</p>	<p>Quarterly reduction in Gross debt (Rs Mn)</p>  <table border="1"> <caption>Quarterly reduction in Gross debt (Rs Mn)</caption> <thead> <tr> <th>Quarter</th> <th>Gross Debt (Rs Mn)</th> </tr> </thead> <tbody> <tr><td>Q1FY21</td><td>47,500</td></tr> <tr><td>Q2FY21</td><td>44,500</td></tr> <tr><td>Q3FY21</td><td>44,000</td></tr> <tr><td>Q4FY21</td><td>45,000</td></tr> <tr><td>Q1FY22</td><td>43,500</td></tr> <tr><td>Q2FY22</td><td>43,000</td></tr> <tr><td>Q3FY22</td><td>43,000</td></tr> <tr><td>Q4FY22</td><td>43,500</td></tr> <tr><td>Q1FY23</td><td>42,000</td></tr> <tr><td>Q2FY23</td><td>42,500</td></tr> <tr><td>Q3FY23</td><td>39,500</td></tr> <tr><td>Q4FY23</td><td>40,500</td></tr> <tr><td>Q1FY24</td><td>40,500</td></tr> </tbody> </table> <p>Source: Company data</p>			Quarter	Gross Debt (Rs Mn)	Q1FY21	47,500	Q2FY21	44,500	Q3FY21	44,000	Q4FY21	45,000	Q1FY22	43,500	Q2FY22	43,000	Q3FY22	43,000	Q4FY22	43,500	Q1FY23	42,000	Q2FY23	42,500	Q3FY23	39,500	Q4FY23	40,500	Q1FY24	40,500	<ul style="list-style-type: none"> Phoenix states that it has done well to tide over the pandemic through infusion of additional equity of Rs11 bn and improving the overall cash position of the company to Rs18 bn (as of Sep 2020). In order to keep interest costs lower the management has funded the under construction projects via equity route.
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VI. MANAGEMENT OUTLOOK

- The company has guided that Like to Like growth in Rentals for FY24 would be ~10% and EBITDAM in the retail segment would be in the range of ~95-100% for developed malls.
- As per the FY23 annual report, the management has is aiming to double its Office portfolio to ~7 mn sq ft by FY27 from ~3 mn sq ft from FY23 levels.

VII. VALUATION



Source: Ace Equity

VIII. KEY MONITERABLES

- ✓ **Lower rentals than estimated:** As per the FY23 annual report, management stated that even after the situation normalizes, the footfalls for malls remain under pressure, then it would have a direct impact on trading densities and consumption across stores. Retailers are likely to pay rents in line with sales and hence rentals would be under pressure.
- ✓ **Structural changes such as a shift to OTT and e-commerce:** As per the management commentary in early FY23, movie producers are considering releasing movies on OTT platforms directly, thereby impacting multiplexes. Further, a shift towards e-commerce could ramp up, leading to lower footfalls in malls in the coming years.

IX. FINANCIAL SUMMARY (Consolidated)

Particulars (INR mn)	FY18	FY19	FY20	FY21	FY22	FY23	(FY20-23)
							3Y CAGR
Net Sales	16,199	19,816	19,411	10,733	14,884	26,383	11%
YoY	-11.2%	22.3%	-2.0%	-44.7%	38.7%	77.3%	
EBITDA	7,787	9,936	9,672	4,942	7,340	15,091	16%
YoY	-8.1%	27.6%	-2.7%	-48.9%	48.5%	105.6%	
<i>EBITDA Margins (%)</i>	48.1%	50.1%	49.8%	46.0%	49.3%	57.2%	
APAT	2,116	4,617	3,559	526	2,367	7,298	27%
YoY	11.4%	118.2%	-22.9%	-85.2%	350.0%	208.3%	
<i>PAT Margins (%)</i>	13.1%	23.3%	18.3%	4.9%	15.9%	27.7%	
EPS Diluted (Rs)	11.8	25.9	19.9	2.9	13.3	40.9	27%
Balance Sheet							
Net worth	28,520	34,741	37,084	50,388	65,826	83,798	
Debt	36,660	39,810	41,075	40,626	39,821	42,953	
Cash	410	1,920	1,293	1,328	2,998	6,302	
Debt-Equity	1.3	1.1	1.1	0.8	0.6	0.5	

Source: Company Financial Reports

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