

## RESULTS

## REVIEW

## Phoenix Mills Ltd.

In-line performance; upside capped

HOLD

Analyst

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Nifty: 5,069; Sensex: 16,883

CMP	Rs198
Target Price	Rs200
Potential Upside/Downside	+1%

## Key Stock Data

Sector	Real Estate
Bloomberg / Reuters	PHNX IN / PHOE.BO
Shares o/s (mn)	144.8
Market cap. (Rs mn)	28,687
Market cap. (US\$ mn)	567
3-m daily average vol.	5,285

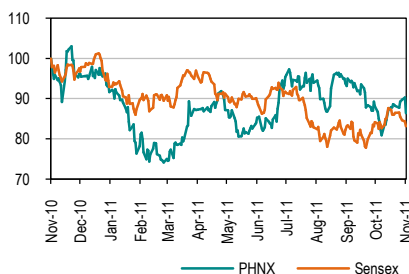
## Price Performance

52-week high/low	Rs242/160		
	-1m	-3m	-12m
Absolute (%)	(2)	(9)	(14)
Rel to Sensex (%)	(5)	(16)	(13)

## Shareholding Pattern (%)

Promoters	65.9
FII/IRIs/OCBs/GDR	22.7
MFs/Banks/FIs	5.4
Non Promoter Corporate	1.0
Public & Others	5.0

## Relative to Sensex



Source: Capitaline

## Summary

Both revenue and PAT were in-line with our estimates. While revenue was up 11%/1% YoY/QoQ to Rs474 mn (IDBIest. Rs480 mn), net profit was down 4% QoQ (+11% YoY) to Rs239 mn (IDBIest. Rs241 mn) led by higher interest expense. The performance of Pune Market City was largely in line with our estimate. Phoenix has guided for Kurla/Chennai Market City launch in Q3FY12/Q1FY13, while the launch of Shangri-La Hotel has been delayed to Q1FY13. We have kept our FY12/FY13 estimates and TP (Rs200) unchanged. However, due to the recent fall in stock price we upgrade the stock to HOLD.

## Key Highlights

- Revenue and EBITDA stable on a QoQ basis

Standalone revenue was stable QoQ at Rs474 mn (+11% YoY). Weighted average rental (including revenue share) stood at Rs170 psf (+4% QoQ). The company has guided for revenue of Rs1.95 bn in FY12. During the quarter, HSP witnessed a footfall of 5.0 mn (+14% QoQ).

EBITDA was up 1% QoQ (+4% YoY) to Rs333 mn. EBITDA margin for the quarter stood at 70.3%, similar to 1QFY12. The company expects operating margin to remain between 71-72% for FY12.

- Recurring PAT down 4% QoQ to Rs239 mn

Interest cost at Rs31 mn came higher than our expectation of Rs10 mn. Consequently, recurring PAT (adjusted for TDR sales) declined 4% QoQ to Rs239 mn (+8% YoY). Tax rate for the quarter was stable at 26%.

- Pune Market City performance in-line; Kurla launch expected in Q3FY12

The current billing for the Pune Market City (launched in June 2011) is Rs50 mn per month at 60% occupancy levels, which is in-line with our estimates. PHNX launched the Bangalore Market City (0.9 msf) in October 2011. The mall is currently operating at 20-25% occupancy levels. The company has guided for Kurla/Chennai launch in Q3FY12/Q1FY13.

- Maintain TP at Rs200; HOLD

Both revenue and PAT were in-line with our estimates. Consequently, we have kept our FY12/13 estimates and TP (Rs200) unchanged. However, due to the recent fall in stock price we upgrade the stock to HOLD.

## Financial snapshot (Consolidated)

(Rs mn)

Year	Revenue	EBITDA	EBITDA (%)	Adj. PAT	EPS (Rs)	PE (x)	EV/EBITDA (x)	RoE (%)	RoCE (%)
FY10	1,230	775	63.0	595	4.1	48.2	47.5	3.8	2.2
FY11	2,102	1,406	66.9	818	5.6	35.1	27.0	5.0	3.3
FY12E	3,885	2,016	51.9	1,239	8.6	23.2	18.6	7.2	4.4
FY13E	4,258	2,468	58.0	1,125	7.8	25.5	14.4	6.2	4.0

Source: Company; IDBI Capital Research

**Table: Quarterly performance (Standalone)** (Rs mn)

Year-end: March	Q1FY11	Q2FY12	QoQ (%)	Q2FY12E	Variation (%)
<b>Revenue</b>	<b>471</b>	<b>474</b>	<b>0.7</b>	<b>480</b>	<b>(1.3)</b>
Operating Exp	140	141	0.6	149	(5.8)
<b>EBIDTA</b>	<b>331</b>	<b>333</b>	<b>0.8</b>	<b>331</b>	<b>0.8</b>
<i>EBIDTA margin (%)</i>	70.3	70.3		68.9	
Depreciation	67	69	3.0	70	(1.7)
<b>EBIT</b>	<b>264</b>	<b>264</b>	<b>0.2</b>	<b>261</b>	<b>1.5</b>
Other Income	110	89	(19.0)	80	10.9
Interest	10	31	198.6	10	205.0
<b>PBT</b>	<b>363</b>	<b>323</b>	<b>(11.2)</b>	<b>331</b>	<b>(2.4)</b>
Tax	91	84	(7.8)	89	(6.1)
<i>Tax Rate (%)</i>	25.0	26.0		27.0	
<b>Reported PAT</b>	<b>272</b>	<b>239</b>	<b>(12.3)</b>	<b>241</b>	<b>(1.0)</b>
<b>Recurring PAT</b>	<b>250</b>	<b>239</b>	<b>(4.4)</b>	<b>241</b>	<b>(1.0)</b>
<i>NPM (%)</i>	57.9	50.4		50.3	
<b>EPS (Rs)</b>	<b>1.7</b>	<b>1.6</b>	<b>(4.4)</b>	<b>1.7</b>	<b>(1.0)</b>

Source: Company

**Table: SOTP Valuation**

Asset	Stake (%)	Area (msf)	Total NAV (Rs mn)	PML's Share (Rs mn)	Per Share (Rs)
<b>High Street Phoenix</b>					
Phase I to Phase III	100	0.9	15,100	15,100	104
Phase IV	100	0.3	2,500	2,500	17
<b>Shangrila Hotel</b>	<b>53</b>		<b>2,950</b>	<b>1,564</b>	<b>11</b>
<b>Market City</b>					
Kurla	24	2.5	6,121	1,487	10
Pune	59	1.8	1,951	1,141	8
Bangalore (E)	46	1.9	2,176	711	5
Chennai	31	1.5	1,893	587	4
Bangalore (W)	70	2.0	3,496	2,447	17
<b>Other Hospitality Projects</b>			<b>3,800</b>	<b>2,105</b>	<b>15</b>
<b>EWDPL</b>	<b>33</b>		<b>1,788</b>	<b>590</b>	<b>4</b>
<b>Big Apple</b>	<b>74</b>		<b>1,010</b>	<b>747</b>	<b>5</b>
<b>Total Value</b>			<b>42,784</b>	<b>28,980</b>	<b>200</b>

Source: IDBI Capital Research

## Financial summary (Consolidated)

### Profit & Loss Account

(Rs mn)

Year-end: March	FY10	FY11	FY12E	FY13E
<b>Net sales</b>	<b>1,230</b>	<b>2,102</b>	<b>3,885</b>	<b>4,258</b>
Growth (%)	23.5	70.8	84.8	9.6
Operating expenses	(455)	(696)	(1,869)	(1,790)
<b>EBITDA</b>	<b>775</b>	<b>1,406</b>	<b>2,016</b>	<b>2,468</b>
Growth (%)	28.7	81.4	43.4	22.4
Depreciation	(172)	(314)	(397)	(674)
<b>EBIT</b>	<b>603</b>	<b>1,092</b>	<b>1,619</b>	<b>1,795</b>
Interest paid	(86)	(228)	(238)	(923)
Other income	219	287	407	496
<b>Pre-tax profit</b>	<b>735</b>	<b>1,151</b>	<b>1,788</b>	<b>1,368</b>
Tax	(147)	(321)	(481)	(500)
Effective tax rate (%)	20.0	27.9	26.9	36.5
<b>Net profit</b>	<b>588</b>	<b>830</b>	<b>1,307</b>	<b>868</b>
<b>Adjusted net profit</b>	<b>595</b>	<b>818</b>	<b>1,239</b>	<b>1,125</b>
Growth (%)	(13.6)	37.4	51.4	(9.2)
Shares o/s (mn nos)	145	145	145	145

### Balance Sheet

(Rs mn)

Year-end: March	FY10	FY11	FY12E	FY13E
Net fixed assets	16,458	18,274	19,727	19,054
Investments	5,601	5,601	5,601	5,601
Other non-curr assets	24	24	24	24
<b>Current assets</b>	<b>4,732</b>	<b>6,152</b>	<b>9,541</b>	<b>12,055</b>
Inventories	3	3	3	503
Sundry Debtors	431	749	1,437	1,575
Cash and Bank	671	1,573	4,073	5,750
Loans and advances	3,628	3,828	4,028	4,228
<b>Total assets</b>	<b>26,815</b>	<b>30,051</b>	<b>34,893</b>	<b>36,734</b>
<b>Shareholders' funds</b>	<b>16,048</b>	<b>16,663</b>	<b>17,698</b>	<b>18,620</b>
Share capital	290	290	290	290
Reserves & surplus	15,759	16,373	17,409	18,331
<b>Total Debt</b>	<b>6,608</b>	<b>8,738</b>	<b>10,588</b>	<b>10,588</b>
<b>Curr Liab &amp; prov</b>	<b>2,213</b>	<b>2,845</b>	<b>5,337</b>	<b>6,394</b>
Current liabilities	1,969	2,476	4,347	5,445
Provisions	244	369	990	948
<b>Total liabilities</b>	<b>8,577</b>	<b>11,214</b>	<b>14,935</b>	<b>16,033</b>
<b>Total equity &amp; liabilities</b>	<b>26,816</b>	<b>30,051</b>	<b>34,893</b>	<b>36,734</b>
<b>Book Value (Rs)</b>	<b>111</b>	<b>115</b>	<b>122</b>	<b>129</b>

### Cash Flow Statement

(Rs mn)

Year-end: March	FY10	FY11	FY12E	FY13E
Pre-tax profit	741	1,122	1,806	1,445
Depreciation	172	314	397	674
Tax paid	(147)	(321)	(481)	(500)
Chg in working capital	756	(10)	982	261
Other operating activities	568	-	-	-
<b>Cash flow from operations (a)</b>	<b>2,090</b>	<b>1,105</b>	<b>2,704</b>	<b>1,880</b>
Capital expenditure	(3,206)	(2,130)	(1,850)	-
Chg in investments	(1,076)	-	-	-
Other investing activities	-	-	-	-
<b>Cash flow from investing (b)</b>	<b>(4,282)</b>	<b>(2,130)</b>	<b>(1,850)</b>	<b>-</b>
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	1,156	2,130	1,850	-
Dividend (incl. tax)	(203)	(203)	(203)	(203)
<b>Cash flow from financing (c)</b>	<b>953</b>	<b>1,927</b>	<b>1,647</b>	<b>(203)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(1,239)</b>	<b>902</b>	<b>2,500</b>	<b>1,676</b>

### Financial Ratios

Year-end: March	FY10	FY11	FY12E	FY13E
Adj. EPS (Rs)	4.1	5.6	8.6	7.8
Adj. EPS growth (%)	(13.6)	37.4	51.4	(9.2)
EBITDA margin (%)	63.0	66.9	51.9	58.0
Pre-tax margin (%)	59.8	54.8	46.0	32.1
ROE (%)	3.8	5.0	7.2	6.2
ROCE (%)	2.2	3.3	4.4	4.0
<b>Turnover &amp; Leverage ratios (x)</b>				
Asset turnover (x)	0.0	0.1	0.1	0.1
Leverage factor (x)	1.6	1.7	1.9	2.0
Net margin (%)	48.4	38.9	31.9	26.4
Net Debt / Equity (x)	0.4	0.4	0.4	0.3
<b>Working Capital &amp; Liquidity ratio</b>				
Inventory days	1	1	0	43
Receivable days	128	130	135	135
Payable days	137	146	146	146

### Valuation

Year-end: March	FY10	FY11	FY12E	FY13E
PER (x)	48.2	35.1	23.2	25.5
Price/Book value (x)	1.8	1.7	1.6	1.5
PCE (x)	37.4	25.3	17.5	15.9
EV/Net sales (x)	29.9	18.1	9.6	8.4
EV/EBITDA (x)	47.5	27.0	18.6	14.4
Dividend Yield (%)	0.6	0.6	0.6	0.6



# Notes

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**Key to Ratings****Stocks:**

**BUY:** Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto  $\pm 5\%$ ; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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