THE PHOENIX MILLS LIMITED

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Tel: (022) 3001 6600 Fax : (022) 3001 6601
CIN No. : L17100MH1905PLC000200

November 27, 2021

To,

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai- 400 001

Security code: 503100

National Stock Exchange of India Limited
Exchange Plaza,
Bandra-Kurla Complex, Bandra East,
Mumbai- 400051

Symbol: PHOENIXLTD

Dear Sir(s),

Sub: Intimation regarding Rating - Compliance under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed rating published on November 26, 2021, by CRISIL Ratings Limited, the Credit Rating Agency.

You are requested to take the aforesaid information on record.

Thanking you,

Yours Faithfully,
For The Phoenix Mills Limited

Gajendra

Gajendra Mewara
Company Secretary

Encl: As above

Regd. Office: The Phoenix Mills Ltd., 462 Senapati Bapat Marg, Lower Parel, Mumbai 400 013. Tel : (022) 2496 4307 / 8 / 9
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Ratings
CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL
An S&P Global Company

Rating Rationale

November 26, 2021 | Mumbai

Phoenix Mills Limited

Rating outlook revised to 'Stable'; Rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.400 Crore**
Long Term Rating	**CRISIL A+/Stable (Outlook revised from 'Negative'; rating reaffirmed)**

1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has revised its outlook on the long-term bank facilities of Phoenix Mills Limited (TPML; flagship company of the Phoenix Mills group) to **'Stable'** from 'Negative', while reaffirming the rating at 'CRISIL A+'.

The outlook revision reflects strong recovery in retail sales witnessed across malls in Q2 2022 and October 2021 post reopening after the second wave of the pandemic, expected further improvement in retail sales in H2 2022 and strengthening of liquidity position of the group through stake dilution in assets and equity fund raising through qualified institutional placement (QIP).

While the pandemic and consequent closure of malls have impacted performance, the recovery has been steady post reopening. After closure of malls in April 2021 due to the second wave, malls gradually reopened from June 2021 albeit with restrictions. Despite the restrictions, strong recovery was witnessed, with retail sales reaching 74% of pre-pandemic (Q2 2020) level in Q2 2022. Consequently, revenue and EBITDA (earnings before interest, tax, depreciation and amortisation) for Q2 2022 were adequate at 67% of pre-pandemic level each (excluding for Phoenix Palassio, Lucknow, which became operational in July 2020). Retail sales further improved to around 90% of pre-pandemic level in October 2021. Recovery in revenue and profits in H2 2022 is expected to be strong.

The group has also taken steps to ensure availability of ample liquidity to tide over the current situation and meet growth capital requirements in the medium term. Since August 2020, the group has raised a total of ~Rs 3400 crore through –
a) Rs 1,100 crore through QIP,
b) an agreement with Government of Singapore Investment Corporation (GIC) for stake sale of 26% in 3 subsidiaries for Rs 1,111 crore (realised in June 2021),
c) infusion of Rs 196 crore from Canada Pension Plan Investment Board (CPPIB) for meeting capital expenditure (capex) requirements in under construction assets housed under Island Star Mall Developers Pvt. Ltd (ISML; rated CRISIL A/Stable; part of the group and owns and operates the Phoenix Market City mall in Bengaluru) and
d) deal with CPPIB for investment of Rs 384 crore in two tranches for development of the group's new asset in Kolkata for a 49% stake in the project (Rs 180 crore of this has been realised).

Additionally, on November 15, 2021, CPPIB committed to invest Rs 1,350 crore in tranches for acquiring 49% stake in Plutocrat Commercial Real Estate Pvt. Ltd (PCREPL; holding company for developing an office-led mixed-use asset in Mumbai). CPPIB has already infused Rs 787 crore towards the development as of date. All these initiatives have strengthened the liquidity position of the group with cash balances, liquid investments and undrawn bank lines standing at an aggregate of Rs 2,622 crore as on November 18, 2021. CRISIL Ratings expects the liquidity position to remain strong in the near to medium term.

The rating continues to reflect the Phoenix Mills group's leadership position in the Indian retail mall segment, diversified revenue profile, and comfortable financial risk profile. These strengths are partially offset by exposure to project risks because of significant expansion plans, skewed debt amortisation schedule impacting near term coverage ratios, volatility in occupancy, and vulnerability to cyclicality in the real estate sector.

Analytical approach

CRISIL Ratings has combined the business and financial risk profiles of TPML and all its associate and subsidiary companies. This is because all these entities, collectively referred to as The Phoenix Mills group, are in the same line of business, have common promoters and strong business and financial linkages.

Please refer Annexure - List of entities consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key rating drivers & detailed description

Strengths:

- **Leadership position in the Indian retail mall segment:** The group has a track record of over three decades and is India's largest retail mall operator. Its robust market position is underpinned by the prime location of the assets and their steady performance. Occupancy and trading density for most of the group's malls were over 85% and more than Rs 1,000 per square feet (sq. ft) per month, respectively, in fiscal 2021. There has been no major incremental vacancy observed in the malls from the pre-pandemic level. Occupancy and average trading density of the group's flagship asset —High Street Phoenix (HSP) and Palladium (Mumbai)—were 95% and Rs 2,494 per sq. ft per month, respectively, in Q4 2021. The group is in the process of doubling its retail portfolio over the medium term, in partnership with CPPIB) and GIC as well as independently. The group completed and launched its new mall, Phoenix Pallassio, with total leasable area of 9.05 lakh sq. ft in July 2020 and the mall is operating at 81% trading occupancy as on September 30, 2021, despite the pandemic.

- **Diversified revenue profile:** The group primarily focuses on retail-led mixed-use development. Revenue profile is moderately diversified and comprises four main businesses: retail assets, commercial assets, hospitality, and residential. Turnover was Rs 1,077 crore in fiscal 2021 (CRISIL Ratings-adjusted financials), with retail assets contributing around 75% to total revenue. Presence of other portfolios—office, hotels, and residential real estate—also supports business risk profile. Additionally, the asset portfolio of the group is geographically well-diversified lending strength to the business risk profile.

- **Comfortable financial risk profile:** Consolidated net worth was Rs 6,279 crore while debt was Rs 4,506 crore, as on March 31, 2021 (CRISIL Ratings-adjusted financials). Consequently, gearing remained below 1.0 time. Close to 84% of the total debt is backed by highly stable rent-generating assets, while 15% of the debt is against income from stabilised hotels. Financial flexibility is supplemented by strong refinancing ability, access to consolidated undrawn bank lines of over Rs 600 crore as on September 30, 2021, and ability to raise additional lease rental discounting loans; debt to lease rental ratio was impacted in fiscal 2021 due to impact on revenue due to the pandemic, but the same is expected to remain comfortable, at around 4.0 times, on a steady state basis. In addition, the recent private equity deals are expected to add to its financial flexibility. Interest coverage and return on capital employed ratios were modest at 1.71

times and 4.3%, respectively, in fiscal 2021. The near-term debt service coverage ratio of the group is modest due to front-ended amortisation schedules in some of loans.

Weaknesses:

- **Exposure to risks related to significant expansion plans:** Large projects have been planned in new and current geographies, with overall investment of around Rs 7,800 crore. Although the group has sound experience in developing and managing retail assets, its ability to execute, market, and scale-up these projects on time will remain critical. Any significant delay in project execution or cost overruns may weaken financial risk profile. Nevertheless, more than 50% of the funds have been deployed for under construction retail assets, and debt-to-equity ratio for the investments is expected at less than 1.0 time, which mitigates the risk to a large extent. Till date, no external debt has been contracted for the under-construction projects in Bengaluru, Pune and Indore; while for the Ahmedabad mall, debt of Rs 97 crore has been drawn down.

- **Volatility to occupancy and vulnerability to cyclicality in the real estate sector:** Rental collection, the key source of revenue, is exposed to volatility because of economic downturns, thereby impacting the tenant's business risk profile and hence occupancy and rental rates. In contrast, cash outflow such as debt obligation, is relatively fixed. The mall operations were suspended in both fiscals 2020 and 2021 due to the first and second waves of the pandemic, thereby significantly reducing cash flows. Furthermore, the ability of the group to renew agreements that are coming up for renewal, at pre-pandemic terms, especially considering the pandemic, will remain a key monitorable. This is offset by conclusion of negotiations of rentals with majority of tenants in retail profile. Although cash flow and liquidity buffer will be able to absorb the impact of fluctuations in occupancy and interest rate to some extent, they remain rating sensitivity factors.

Liquidity: Strong

The group has debt obligation of Rs ~ Rs 1,000 crore per annum between fiscals 2023 and 2024 with capital expenditure of ~ Rs 3,800 crore to be incurred over the medium term. It had liquidity of Rs 2,622 crore as on November 18, 2021 (including undrawn bank lines). Strong liquidity position is expected to support debt servicing as well as capex in the near-to-medium term. Additionally, the Phoenix Mills group maintains debt service reserve account (DSRA) covering three months of debt obligation for all its assets. Liquidity is supplemented by strong refinancing ability as well as the ability to raise additional lease rental discounting loans, if required. TPML, on a standalone basis, had cash equivalents and bank balances of Rs 417 crore as on March 31, 2021.

Outlook: Stable

CRISIL Ratings believes the Phoenix Mills group will benefit from its robust business risk profile over the medium term, driven by its established market position, strong revenue visibility, and healthy profitability. Financial risk profile should also remain comfortable on account of healthy liquidity and backing of lease rentals to service much of the debt, notwithstanding the large capex plans.

Rating Sensitivity factors

Upward factors:

- Stabilisation of operations, leading to improvement in EBITDA
- Improvement in near term debt service coverage ratios well above 1 time and maintenance of healthy liquidity position
- Timely execution and scaling up of projects

Downward factors:

- Increase in vacancy by 10%, reduction in rental rates, or higher-than-expected borrowing weakening financial risk profile
- Significant delay or cost overrun in construction and leasing of ongoing projects
- Material reduction in liquidity

About the Company

TPML is the flagship company of the Phoenix Mills group and was incorporated in January 1905 as a textile manufacturer. It diversified into real estate development in 1986 by first constructing a residential tower and then opening High Street Phoenix (HSP) mall in Lower Parel in 1999, followed by Palladium mall (next to HSP) in 2009. Palladium mall caters to uber-luxury brands. Apart from retail assets, TPML also owns and operates Phoenix House, a commercial office space of 1.4 lakh sq. ft in the same premises.

About the Group

The Phoenix Mills group is the largest player in the Indian retail mall segment and has a portfolio of 59 lakh sq. ft of eight well-established retail mall assets across major cities in the country and a recently launched mall with 9.5 lakh sq. ft of leasable area. It also has an office portfolio of 13.7 lakh sq. ft in Mumbai and Pune (which shall be increased to 20.24 lakh sq. ft post completion of Tower 2 and Tower 3 in Pune), two operational hotels (one each in Mumbai and Agra), and residential real estate of 37 lakh sq. ft in Bengaluru and Chennai

In April 2017, the group entered into an agreement with CPPIB to sell up to 49% stake in ISML for close to Rs 1,700 crore. Development of retail assets will be undertaken across metros and Tier-I cities via wholly owned special-purpose vehicles. In May 2021, CPPIB and TPML entered into an agreement to extend their commitment to the existing alliance by investing an additional Rs 800 crores into ISML. A further commitment of Rs 700 crores has also been done.

On Dec 01, 2020, The Phoenix Mills Ltd and its subsidiaries, Offbeat Developers Private limited, Graceworks Realty and Leisure Private Ltd and Vamona Developers Private Ltd have jointly signed a non-binding term-sheet with GIC Private Ltd for formation and development of a strategic retail-led mixed-use platform. Subsequently, GIC has acquired 26% equity stake in these subsidiaries for an aggregate consideration of Rs. 1,111crore; GIC's stake may further increase to ~33%-36% in the above-mentioned subsidiaries through an additional infusion of up to Rs. 400 crores within the next 12-month period. This is expected to be used as a platform to develop retail-led mixed development properties.

In May 2021, CPPIB proposed to invest Rs 384 crore in two tranches for a 49% stake in Phoenix's subsidiary, Mindstone Mall Developers Pvt Ltd. The funds will be utilised towards development of the group's new asset in Alipore, Kolkata. Of this, Rs 180 crores have been received as on November 2021.

On November 15, 2021 CPPIB committed to invest Rs 1350 crores in tranches for acquiring 49% stake in Plutocrat Commercial Real Estate Pvt Ltd (PCREPL), that is the holding company for Project Rise. It is an office-led mixed-use development with gross leasable area of 1 msf of office space and 0.2 msf of retail space. Rs 787 crores has already been infused by CPPIB towards the project.

Key financial indicators - Consolidated*

Particulars	Unit	2021	2020
Revenue	Rs crore	1147	2097
Profit after tax (PAT)	Rs crore	37	421
PAT margin	%	3.3	20.1
Adjusted gearing	Times	0.72	0.94
Interest coverage	Times	1.71	2.98

**CRISIL Ratings-adjusted numbers, including full consolidation of Classic Mall Development Company Pvt. Ltd (CMDCPL), Classic Housing Projects Pvt. Ltd (CHPPL), and Starboard Hotels Pvt. Ltd (SHPL)*

Key financial indicators - Consolidated*

Particulars	Unit	2021	2020
Revenue	Rs crore	1077	1943
Profit after tax (PAT)	Rs crore	31	388

PAT margin	**%**	**2.9**	**20.0**
Adjusted gearing	**Times**	**0.70**	**0.94**
Interest coverage	**Times**	**1.72**	**3.04**

Based on consolidation approach followed by TPML wherein CMDCPL, CHPPL and SHPL have been treated as associate companies and consolidated only to the extent of TPML's shareholding in these, i.e., 50%

Any other information: Not applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Term Loan	NA	NA	Sep-27	335.0	NA	CRISIL A+/Stable
NA	Overdraft Facility*	NA	NA	NA	65.0	NA	CRISIL A+/Stable

Sublimit of term loan

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Phoenix Hospitality Company Pvt. Ltd (PHCPL)	Full	Subsidiary
Alliance Spaces Pvt. Ltd (subsidiary of PHCPL)	Full	Subsidiary
Bellona Hospitality Services Ltd	Full	Subsidiary
Big Apple Real Estate Pvt. Ltd (BARE)	Full	Subsidiary
Blackwood Developers Pvt. Ltd (subsidiary of BARE)	Full	Subsidiary
Butala Farm Lands Pvt. Ltd	Full	Subsidiary
Enhance Holdings Pvt. Ltd India	Full	Subsidiary
Gangetic Developers Pvt. Ltd (subsidiary of BARE)	Full	Subsidiary
Grace Works Realty & Leisure Pvt. Ltd (subsidiary of PHCPL)	Full	Subsidiary
Island Star Mall Developers Pvt. Ltd	Full	Subsidiary
Market City Resources Pvt. Ltd (MCRPL)	Full	Subsidiary
Market City Management Pvt. Ltd	Full	Subsidiary
Mugwort Land Holding Pvt. Ltd	Full	Subsidiary
Offbeat Developers Pvt. Ltd	Full	Subsidiary
Palladium Constructions Pvt. Ltd	Full	Subsidiary
Pallazzio Hotels & Leisure Ltd	Full	Subsidiary
Pinnacle Real Estate Development Pvt. Ltd	Full	Subsidiary
Plutocrat Assets And Capital Management Pvt. Ltd	Full	Subsidiary
Sangam Infrabuild Corporation Pvt. Ltd (subsidiary of BARE)	Full	Subsidiary
Upal Developers Pvt. Ltd (subsidiary of BARE)	Full	Subsidiary
Vamona Developers Pvt. Ltd	Full	Subsidiary
Savannah Phoenix Pvt Ltd	Full	Subsidiary
Insight Hotels & Leisure Pvt. Ltd	Full	Subsidiary
Alysum Developers Pvt. Ltd (subsidiary of ISML)	Full	Subsidiary
Sparkle One Mall Developers Pvt. Ltd (subsidiary of ISML)	Full	Subsidiary
CHPPL	Full	Subsidiary
SHPL	Full	Subsidiary
CMDCPL	Full	Subsidiary
Mirabel Entertainment Pvt. Ltd (associate through PHCPL)	Partial	Associate
Columbus Investment Advisory Pvt. Ltd (associate through MCRPL from 04/10/2017)	Partial	Associate

Annexure - Rating History for last 3 Years

	Current			2021 (History)		2020		2019		2018		Start of 2018
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	LT	400.0	CRISIL A+/Stable		--	10-12-20	CRISIL A+/Negative	31-07-19	CRISIL A+/Stable	12-04-18	CRISIL A+/Stable	--
			--		--	13-10-20	CRISIL A+/Negative		--		--	--
			--		--	12-06-20	CRISIL A+/Watch Negative		--		--	--
			--		--	26-03-20	CRISIL A+/Watch Negative		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Overdraft Facility*	**40**	**CRISIL A+/Stable**
Overdraft Facility*	**25**	**CRISIL A+/Stable**
Term Loan	**160**	**CRISIL A+/Stable**
Term Loan	**175**	**CRISIL A+/Stable**

** - Sublimit of term loan*

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs criteria for rating debt backed by lease rentals of commercial real estate properties
CRISILs Criteria for Consolidation

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For more information, visit www.crisilratings.com

About CRISIL Limited

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