THE PHOENIX MILLS LIMITED

**Corp. Office :** Shree Laxmi Woolen Mills Estate, 2nd Floor,
R.R. Hosiery, Off Dr. E. Moses Rd. Mahalaxmi, Mumbai - 400 011
Tel : (022) 3001 6600 Fax : (022) 3001 6601
CIN No. : L17100MH1905PLC000200

**September 16, 2022**

**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 September 15, 2022, by India Ratings and Research Private Limited (a Fitch Group Company), the Credit Rating Agency.

This intimation is also being uploaded on the Company's website at https://www.thephoenixmills.com/investors in compliance with regulation 46(2) of the Listing Regulations.

You are requested to take the aforesaid information on record.

Thanking you,

Yours Faithfully,
**For The Phoenix Mills Limited**

Gajendra

**Gajendra Mewara**
**Company Secretary**

THE PHOENIX MILLS LIMITED

**Encl: As above**

# India Ratings Upgrades The Phoenix Mills to 'IND AA-'; Outlook Stable

Sep 15, 2022 | Real Estate

India Ratings and Research (Ind-Ra) has upgraded The Phoenix Mills Limited's (TPML) Long-Term Issuer Rating at 'IND AA-' from IND A+. The Outlook is Stable. The instrument-wise rating actions are as follows:

| Instrument Type | Date of Issuance | Coupon Rate | Maturity Date | Size of Issue (million) | Rating/Outlook | Rating Action |
|---|---|---|---|---|---|---|
| Term loans | - | - | December 2031 | INR7,500 | IND AA-/Stable | Upgraded |
| Fund-based working capital limits* | - | - | - | INR1,500 | IND AA-/Stable/IND A1+ | Long term upgraded, Short-term affirmed |
| Commercial paper (CP)# | - | - | Up to 360 days | INR1,000 | IND A1+ | Affirmed |

* Sub-limit of the term loans
# To be carved out from the existing working capital facility; nil outstanding.

**Analytical Approach:** Ind-Ra continues to take a consolidated view of TPML and its subsidiaries and joint ventures, collectively referred to as the TPML Group, to arrive at the ratings. This is because all the subsidiaries and joint ventures operate in the similar line of business, and most of them share the same brand name and are strategically important for TPML. However, TPML does not guarantee the debt of its subsidiaries and joint ventures.

The upgrade reflects a strong recovery in the TPML Group's operating performance across retail and hotel portfolio in FY22 and 1QFY23. The operating metrics are likely to remain strong over the near term, given the strong consumption (mostly above pre-pandemic levels) and occupancy/average room rate (ARR) trends witnessed across Phoenix malls and hotels, respectively, during April-July 2022. Furthermore, over the last few years, TPML has raised equity through a qualified institutional placement(QIP) issuance and stake dilution in some of its assets, leading to a significant improvement in its credit metrics, robust liquidity and the availability of growth capital.

## Key Rating Drivers

**Strong Recovery in KPIs across Asset Classes:** The upgrade reflects a strong recovery in consumption across the group's retail portfolio (accounts for around 70% of the revenue). The retail consumption (excluding consumption of the asset opened in July 2020) for 1QFY23 surpassed the pre-pandemic levels and stood at 111% of 1QFY20 consumption on a like-to-like basis. Ind-Ra expects the same to remain strong throughout FY23. TPML will continue to reap the benefits of the improving consumption trend as a part of the rentals (around 13% as of 1QFY23 compared with 10% in 1QFY20) remains tied to consumption/trading density across malls. TPML also witnessed a significant improvement in occupancy and ARR for the hospitality portfolio (accounts for 15%-17% of revenue). The occupancy for St. Regis, which accounts for 80%-85% of the group's hospitality portfolio, surpassed pre-COVID levels in 1QFY23 at 85% (1QFY20: 82%). TPML's commercial portfolio's occupancy has improved to 70% from 65% over the last one year (excluding the area which became operational in 1QFY23).

**Robust Growth Trajectory to Cement the Group's Leadership Position**: The consolidated revenue came in at INR14.8 billion in FY22 (FY21: INR10.7 billion) and the EBITDA at INR7.4 billion (INR4.9 billion); Ind-Ra expects them to display a sustainable improvement over the medium term. Ind-Ra expects the EBITDA to grow by 3x-3.5x over FY23-FY26 (from a COVID-impacted low base of FY22) as TPML's under-construction portfolio becomes operational in a phased manner and the occupancy of the existing assets ramps up. TPML is in the process of adding a leasable retail space of around 6 million square feet (msf); currently operational: around 7msf, leased around 6.75msf) and a leasable office space of 5.1msf (currently operational: around 2msf, leased 1.13msf, including an area operationalised in 1QFY23) over FY23-FY26. The expansion at four under-construction malls – one each in Indore (Phoenix Citadel), Ahmedabad (Phoenix Palladium), Pune (Phoenix Millenium), and Bangalore (Mall of Asia) – is on track (Indore and Ahmedabad to be operational before FYE23 and the other two before FYE24) and has almost achieved pre-leasing of 83%, 98%, 73%, 76% respectively. Furthermore, TPML will continue to look for organic as well value accretive inorganic growth opportunities. The timely construction and ramp up of the under-construction malls and office remains a key rating sensitivity.

**Strong Through-the-cycle Credit Metrics:** The group's credit metrics are likely to remain strong as the EBITDA from matured assets is highly predictable. 80%-85% of the EBITDA is through rental assets which are governed by medium-term lease contracts, built-in rental escalation clauses, the pass-through nature of asset-related costs such as common area maintenance. Furthermore, the upcoming malls are adequately pre-leased and thus could ramp up and stabilise swiftly.

The consolidated net leverage recovered to 2.5x in FY22 (on the back of equity infusions and a partial recovery in EBITDA) after having deteriorated to 7.8x in FY21 (FY20: 4.2x, FY19: 4x), because of the adverse impact of the COVID-19 pandemic. As the core business (excluding residential real estate) does not have high working capital requirements and the maintenance capex is low, TPML is likely to have high EBITDA to free cash flow conversion (barring growth capex) over the medium term. Most of ongoing growth capex is in the platforms run alongside Canada Pension Plan Investment Board (CPPIB) and Government of Singapore Investment Corporation (GIC) and hence, equity requirements from TPML are likely to be limited to its shareholding. The agency expects the net leverage (basis external debt) to thus remain below 3x over the medium term. Any aggressive debt-funded expansion plan is a key rating monitorable.

**Liquidity Indicator - Adequate:** TPML had cash and cash equivalents of INR21.7 billion at end-1QFY23, primarily bolstered by a fund raiser of around INR58 billion (including QIP and equity investments from both CPPIB and GIC; of this, around INR48 billion was already infused at FYE22 and the balance INR10 billion is yet to be infused) over the past

24 months. TPML also had unutilised overdraft limits of around INR8 billion at end-1QFY23. Given the on-going expansion with an estimated balance capex of around INR45 billion, the company is likely to have negative free cash flows over FY23-FY25. Furthermore, the company has a debt repayment of around INR14 billion during the same period. Ind-Ra expects the starting cash/undrawn banking limits, along with the funding tie up (bank lines, equity commitments from partners and refinancing) will be sufficient to meet the growth capex as well as debt servicing requirements. Ind-Ra also draws comfort from the comfortable EBITDA visibility, given the contractual nature of the majority of the business.

**Large Scale, Diversified Business Model:** The TPML Group is the largest mall owner in the country with a total operational retail space of 7 million square feet (msf). It also owns 2.0msf of office space, 4msf of residential floor space and two hotels with a total of 588 rooms. The expansion is going to further strengthen its leadership position in the domestic market. No single asset accounts more than one-third of the total EBITDA. During 1QFY23, Phoenix Palladium, Mumbai accounted for 26% of the EBITDA, while PMC Pune and PMC Chennai accounted for 14% each, PMC Bengaluru accounted for 13%, PMC Mumbai accounted for 10%, and St Regis accounted for 10%. The company has a strong asset quality with favourable location as demonstrated by above 90% occupancy at all its mature malls and close to 85% occupancy for its flagship hotel – St. Regis.

**Unsold Ready-to-move Residential Inventory Provides Financial Flexibility:** As of 1QFY23, the company had about INR14 billion of ready-to-move residential inventory against a consolidated net debt of INR20 billion for the group. This is likely to provide additional liquidity back up for the group. During 1QFY23, TPML booked sales of INR704 million in the residential segment.

**Lease Renewal Risk:** Lease durations for retails malls tend to be shorter than those for offices. For most of the malls owned by TPML, 30%-50% of the leases are due for renewal over FY23-FY25. This creates an uncertainty regarding successful renewals. However, most of the tenants have historically renewed their leases with TPML on earlier terms. Ind-Ra does not see a major long-term downside risk to lease rentals, given the leadership position of TPML in the Indian markets.

## Rating Sensitivities

**Positive:** The timely completion and ramp up of the planned expansion, along with sustained occupancy and lease rent on the existing portfolio, could lead to a positive rating action.

**Negative:** Any significant drop in the occupancy/rentals and/or delays in the ramp-up of the occupancy levels across its under-construction portfolio and/or aggressive debt-funded capex, leading to the net leverage rising above 3x on a sustained basis, could lead to a negative rating action.

## ESG Issues

**ESG Factors Minimally Relevant to Rating**: Unless otherwise disclosed in this section, the ESG factors are credit neutral or have only a minimal credit impact on TPML, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra’s ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

## Company Profile

TPML is India’s largest mall owner, with presence across major metros including Mumbai, Bengaluru, Chennai, Pune and Lucknow. The company is listed on the BSE Limited and The National Stock Exchange of India Limited. It has an operational history of more than 100 years.

**FINANCIAL SUMMARY**

| Particulars | FY22 | FY21 |
|---|---|---|
| Revenue (INR million) | 14,835 | 10,733 |
| Operating EBITDA (INR million) | 7,339 | 4,942 |
| EBITDA margin (%) | 49.5 | 46 |
| Interest expense (INR million) | 2,945 | 3,478 |
| Interest coverage (x) | 2.6 | 1.4 |
| Net leverage(x) | 2.5 | 7.7 |
| Source: TPML; Ind-Ra | | |

## Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

## Rating History

| Instrument Type | Current Rating/Outlook | | | Historical Rating/Outlook/Rating Watch | | | |
|---|---|---|---|---|---|---|---|
| | Rating Type | Rated Limits (million) | Rating | 4 January 2022 | 15 April 2021 | 16 April 2020 | 17 January 2019 |
| Issuer rating | Long-term | - | IND AA-/Stable | INDA+/Stable | INDA+/RWN | INDA+/RWN | INDA+/Stable |
| Term loan | Long-term | INR7,500 | IND AA-/Stable | INDA+/Stable | INDA+/RWN | INDA+/RWN | INDA+/Stable |
| CP | Short-term | INR1000 | INDA1+ | INDA1+ | INDA1+/RWN | INDA1+/RWN | INDA1+ |

## Bank wise Facilities Details

Click here to see the details

## Complexity Level of Instruments

| Instrument Type | Complexity Indicators |
|---|---|
| Term loan | Low |
| Fund-based working capital limits | Low |

| | |
|---|---|
| CP | Low |

For details on the complexity levels of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

## Contact

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## APPLICABLE CRITERIA

**Evaluating Corporate Governance**

**Corporate Rating Methodology**

**The Rating Process**