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 12, 2024

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 Sirs/Madam,

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

Pursuant to Regulation 30 read with Schedule III of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed rating published on September 12, 2024, by India Ratings and Research Private Limited, the Credit Rating Agency.

The aforesaid information is also being uploaded on the Company's website at **https://www.thephoenixmills.com/investors/FY2024/Exchange-Intimations.**

We request you to kindly take the same on record.

Thanking you,

Yours faithfully,

For The Phoenix Mills Limited

GAJENDRA MEWARA
Digitally signed by GAJENDRA MEWARA
Date: 2024.09.12 15:11:05 +05'30'

Gajendra Mewara
Company Secretary
Membership No. A22941

Encl. As above

India Ratings Upgrades The Phoenix Mills's Bank Facilities to 'IND AA'/Positive; Affirms CP at 'IND A1+'

Sep 12, 2024 | Residential | Commercial Projects

India Ratings and Research (Ind-Ra) has upgraded The Phoenix Mills Limited's (TPML) debt instruments as follows:

Details of Instruments

Instrument Type	Issuance date	Coupon rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Term loans	-	-	December 2031	INR7,500	IND AA/Positive	Upgraded
Fund-based working capital limits*	-	-	-	INR1,500	IND AA/Positive/IND A1+	Long-term rating upgraded; short-term rating affirmed
Commercial paper#	-	-	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 fully consolidate view of TPML's special purpose vehicle (SPVs) and joint ventures (JVs), collectively referred to as the TPML group to arrive at the ratings, as all SPVs and JVs operate in the similar line of business, 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 JVs.

Detailed Rationale of the Rating Action

The upgrade reflects a better-than-Ind-Ra-expected improvement in TPML's consolidated credit metrics, with a decline in its net debt to operating EBITDA ratio in FY24, owing to an increase in its absolute operating EBITDA, largely driven by higher rental income from mall properties and the successful launch of new retail spaces that have attracted considerable footfalls and boosted tenant occupancy rates.

The Positive Outlook reflects Ind-Ra's expectation of a continued improvement in TPML's operational portfolio along with the expansion of its gross leasable area on the back of its additional retail and commercial assets which are becoming operational over FY25-FY27. However, the group's maintenance of the net leverage below 1.7x over the next two years and the execution of its planned projects along with their ramp-up remain a key rating monitorable.

The agency expects the group to gain from the current upward trend in consumption, fuelled by increasing disposable income and increased consumer spending across various retail sectors, leading to an overall increase in lease rentals.

The ratings factor in TPML' leadership position, its diversified business model and cash flow pool while maintaining adequate liquidity which in turn is supported by unsold ready to move residential inventory providing additional financial flexibility. However, the ratings are constrained by lease renewal risk where in about 15% of leases for various malls is slated for renewal every year as per the management and the cyclicality risks.

List of Key Rating Drivers

Strengths

- TPML group's leadership position
- Robust growth in retail consumption across portfolio
- Diversified business model and cashflow pool
- Strong operational performance and credit profile
- Adequate liquidity
- Unsold ready-to-move-in residential inventory provides financial flexibility

Weaknesses

- Lease renewal risk
- Cyclicality risk

Detailed Description of Key Rating Drivers

TPML Group's Leadership Position: The TPML group is India's largest mall owner, with a retail space of about 11 msf across 12 operational malls in eight cities namely Mumbai, Bengaluru, Chennai, Pune, Lucknow, Indore, Ahmedabad, and Bareilly. The company has expanded its footprint with the launch of two new malls in FY24, which has significantly contributed to the overall expansion of leased spaces. The effective ramp-up of these new malls has played a pivotal role in driving consumption. The Phoenix Mall of Asia recorded a trading occupancy of 72% at end-June 2024 (March 2024: 57%), while the Phoenix Mall of the Millennium achieved an occupancy rate of 80% (76%). This increase in occupancy not only improved its individual performance but also supported TPML's overall financial growth by enhancing trading densities, generating rental revenues across the portfolio. Ind-Ra anticipates the average occupancy rate of the portfolio to remain stable at over 90% in the next two years, as the occupancy rates of the newly launched malls are likely to stabilize further.

Robust Growth in Retail Consumption across Portfolio: The agency expects the group to sustain robust growth, as the retail sector continues to recover post-pandemic, given the increased foot traffic in malls driven by consumer spending and the festive seasons. The group's retail portfolio witnessed remarkable growth in consumption and rental income, with the retail consumption increasing 23% yoy to about INR113.5 billion in FY24. In 1QFY25, the consumption rose 25% yoy to INR32.2 billion, largely due to the opening of two new retail malls. Excluding the contribution from these new malls, the group's consumption still demonstrated an increase of 8% in FY24 and 7% in 1QFY25, driven by rising disposable income and increased consumer spending across various retail sectors. Ind-Ra expects this trend to sustain throughout FY25. The agency expects the group to benefit from the ongoing upward trajectory in consumption, as its total retail rental income surged 27% to INR16.7 billion in FY24 (FY23: INR13.1 billion) and increased 31% yoy to INR4.9 billion in 1QFY25, driven by robust demand for retail spaces. The stabilisation of new malls and the completion of additional retail and commercial office spaces will further enhance revenue streams in the medium term, positioning the company advantageously within the competitive retail market. The company's total operating revenue at the consolidated level rose 51% yoy to INR39.8 billion in FY24 (FY23: INR26.3 billion) led by increase in operational assets and improved operational performance across asset class.

Diversified Business Model and Cashflow Pool: In addition to the about 11 msf of retail space, the group has about 2.0 msf of operational commercial space across five office complexes in Mumbai and Pune. Over the past four years, the rental income expanded at a CAGR of about 7.5%. The total income from commercial offices increased 12% to INR1.9 billion in FY24 (FY23: INR1.7 billion). The rental income rose 20% yoy to INR0.5 billion in 1QFY25. Its occupancy rates improved to 71% in June 2024 ((March 2024: 70%; March 2023: 63%), indicating a positive trend in tenant retention and demand for the office space. Additionally, the portfolio includes residential projects with about 3.5 msf of saleable area and two hotels offering a total of 588 rooms. The average room rate for its The St. Regis, Mumbai, rose 23% yoy to INR18,247 in FY24 (FY23: INR14,851). Similarly, its revenue per available room rose 23% to INR15,190 in FY24 (FY23: INR12,475). The total income from the hotels collectively increased 21% to INR5.5 billion in FY24 (FY23: INR4.5 billion). Furthermore, the residential portfolio's gross sales increased to INR5.7 billion in FY24 (FY23: INR4.7 billion), indicating strong demand for residential units. Its collections saw a notable increase at INR6.5 billion in FY24 (FY23: INR3.7 billion), showcasing effective sales conversions and customer commitment, particularly following the receipt of occupation certificates for Tower 7 in the One Bangalore West Project, which contributed to revenue recognition from sales made.

The group plans to add about 3 msf of leasable retail space and about 5 msf of leasable office space over the next three-to-four years. Additionally, the group plans to develop a hotel with up to 400 keys and approximately 1 msf of residential space. The group is also pursuing organic growth and strategically valuable inorganic growth opportunities. The capex for all ongoing expansion projects, covering various asset types, is estimated to be INR39 billion (excluding residential project costs) in the next three years. The timely completion and successful establishment of the under-construction assets remain a key rating monitorable.

Strong Operational Performance and Credit Profile: Ind-Ra expects TPML's consolidated net leverage (total net debt/ operating EBITDA) to remain below 1.7x over the next two-to-three years, with gross interest coverage (operating EBITDA/gross interest expense) improving further, primarily due to the likely increase in its EBITDA generation from its mature asset with the stabilisation of new malls. In FY24, the group demonstrated a notable upward trend in its EBITDA across diverse asset categories, indicative of robust operational efficiency and effective strategic management. The retail segment's EBITDA increased 25% to INR16.7 billion in FY24 (FY23: INR13.4 billion), owing to increased rental income from its mall properties, as well as the successful introduction of new retail spaces that have drawn significant foot traffic and improved tenant occupancy rates. The commercial office sector's total EBITDA rose 13% to INR1.10 billion, due to enhanced occupancy levels. At the consolidated level, the net leverage ratio reduced to 1.31x in FY24 (FY23: 1.98x; FY22: 2.53x), while the gross interest coverage ratio improved to 5.5x (4.45x; 2.5x), driven by higher operating EBITDA and strong operating cash flows.

Adequate Liquidity: Ind-Ra expects the TPML group's operational free cash flows and undrawn sanctioned banking limits to be enough to meet its capex and debt servicing obligations. At the consolidated level, TPML's cash and cash equivalents (including debt service reserve of about INR1570 million) stood at INR23.4 billion at 1QFYE25 (FYE24: INR22.1 billion; FYE23: INR17.5 billion). Its consolidated free cash flows from operating activities (before interest obligation) increased to INR21.6 billion in FY24 (FY23: INR17.7 billion), owing to robust operational performance across assets and partly due to the addition of two new malls. Furthermore, the group had undrawn sanctioned limits (including unutilised overdraft limits) of around INR29.4 billion at end-June 2024. As its ongoing expansions encompass various asset types, the estimated remaining capex stood at about INR39 billion over FY25-FY27. Additionally, the group has repayment and interest obligations of around INR25 billion for FY25-FY27. Ind-Ra also takes solace in the reassuring EBITDA visibility, derived from the contractual nature of the majority of the business operation.

Unsold Ready-to-Move-In Residential Inventory Provides Financial Flexibility: As of 1QFY25, the company had ready-to-move-in residential inventory worth approximately INR7 billion-8 billion, rendering it a valuable resource that can serve as an additional liquidity buffer, as against the group's consolidated net debt of INR14.2 billion. In 1QFY25, the group's gross sales stood at INR500 million in the residential segment (FY24: INR5.7 billion).

Lease Renewal Risk: It's important to note that lease durations for retail malls generally tend to be shorter than those for office spaces. Within TPML's portfolio, about 15% of leases for various malls are slated for renewal every year, as per the management, increasing the uncertainty pertaining to the success of these lease renewals. However, it is reassuring to observe that historically, a significant portion of tenants have consistently chosen to renew their leases with TPML under the previous terms. Ind-Ra, in its assessment, does not perceive a substantial long-term downside risk to lease rentals, given TPML's prominent leadership position within the Indian markets.

Cyclicality Risk: Retail mall leasing income tends to remain cyclical and exposed to exogenous events. The debt obligation, under-construction projects and acquisitions generally put pressure on liquidity during cyclical downturns or exogenous events.

Liquidity

Adequate: The group's consolidated free cash flows from operating activities (before interest obligations) increased to INR21.6 billion in FY24 (FY23: INR17.7 billion), due to strong operational performance across its assets and the addition of two new malls. In 1QFY25, the company generated free cash flows from operations, before interest deductions, at INR5.1 billion (1QFY24: INR5.4 million). Additionally, at end-June 2024, the TPML group had undrawn sanctioned limits, including unutilised overdraft limits, of approximately INR29.4 billion. At 1QFYE25, the TPML group's consolidated cash and cash equivalents (including a debt service reserve of around INR1,570 million) stood at INR23.4 billion (FY24: INR22.1 billion; FY23: INR17.5 billion). The average monthly utilisation of its short-term fund-based facilities was roughly 5% over the 12 months ended July 2024. With ongoing expansions across various asset types, the estimated remaining capital expenditure is approximately INR39 billion for FY25-FY27. Furthermore, the group has repayment and interest obligations of around INR25 billion during the same period. Ind-Ra expects the company's operational free cash flows, along with its undrawn sanctioned banking limits, to be sufficient to cover its capital expenditure and debt servicing requirements.

Rating Sensitivities

Positive: Developments that could, individually or collectively, lead to a positive rating action include:

- sustained scaling-up of the operations while maintaining the strong liquidity and credit profile
- maintaining healthy occupancy levels and sustained lease rents on the existing portfolio
- the timely completion and the ramp-up of the planned expansion

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 retail and commercial EBITDA cumulatively falling below 70% of overall EBITDA, 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.

About the Company

TPML is the largest mall owner in India, has an operational portfolio with a total retail space of about 11 msf across 12 malls in eight cities: Mumbai, Bengaluru, Chennai, Pune, Lucknow, Indore, Ahmedabad, and Bareilly. The group's portfolio includes two hotel properties with a total of 588 keys, as well as office assets totalling approximately 2msf of gross leasable area as of March 2024. Additionally, the group has a portfolio under construction that features malls and office spaces, with a combined gross leasable area of around 7.5msf, along with a hotel that will offer up to 400 keys and a residential project. The company is publicly traded on the BSE Limited and the National Stock Exchange of India Limited, having an operational history of more than 100 years.

Key Financial Indicators

Consolidated

Particulars	FY24	FY23
Revenue (INR million)	39,777	26,383
Operating EBITDA (INR million)	21,768	15,189
EBITDA margin (%)	54.7	57.6
Gross Interest expense (INR million)	3,959	3,412

Interest coverage (x)	5.50	4.45
Net leverage(x)	1.31	1.98
Source: TPML; Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings/Outlook	Historical Rating/Outlook				
				22 September 2023	13 September 2023	15 September 2022	4 January 2022	15 April 2021
Issuer rating	Long-term	-	-	WD	IND AA-/ Stable	IND AA-/ Stable	IND A+/ Stable	IND A+/Rating Watch with Negative Implications
Commercial paper	Short-term	INR1,000	IND A1+	-	IND A1+	IND A1+	IND A1+	IND A1+/ Rating Watch with Negative Implications
Term loan	Long-term	INR7,500	IND AA/Positive	-	IND AA-/ Stable	IND AA-/ Stable	IND A+/ Stable	IND A+/Rating Watch with Negative Implications
Fund-based working capital limits	Long-term/ Short-term	INR1,500	IND AA/Positive/IND A1+		IND AA-/ Stable/ IND A1+	IND AA-/ Stable/ IND A1+	IND A+/ Stable/ IND A1+	IND A+/Rating Watch with Negative Implications/ IND A1+/ Rating Watch with Negative Implications

Bank wise Facilities Details

Click here to see the details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Commercial paper	Low
Fund-based working capital limit	Low
Term loans	Low

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

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.
Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.
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APPLICABLE CRITERIA

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process

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