Financial Overview

Income from Operations

On standalone basis, which includes operations of only High Street Phoenix and Palladium (HSP), Mumbai, income from Operations increased by 6% YoY to ₹ 3,759 million in FY2017 from 3,558 million in FY2016. On a Consolidated basis, Income from Operations increased by 3 % to ₹ 18,246 million from ₹ 17,795 Million in FY2016. Rental income from malls was at ₹ 7,748 million, up 9% YoY. Hospitality revenue was at ₹ 3,072 million, up 24% YoY. Revenue from residential was ₹ 2,449 million, while the commercial revenue was ₹ 1,431 million.

Earnings before Interest, Depreciation and Taxes (EBITDA) Standalone EBITDA increased by 6% YoY to ₹ 2,538 million in FY2017 from ₹ 2,391 million in FY2016. EBITDA margins were 68% in FY2017 as compared to 67% in FY2016. Consolidated EBITDA increased by 8% to ₹ 8,469 million in FY2017 from ₹ 7,869 million in FY2016. Consolidated margins increased to 46% in FY2017 from 44% in FY2016.

Interest and Depreciation

Standalone depreciation increased by 3% to ₹ 301 million in FY2017 from ₹ 293 million in FY2016, whereas consolidated depreciation increased by 10% YoY to 1,953 million in FY2017 from ₹ 1,773 million in FY2016. Standalone interest expense increased by 18% to ₹ 813 million in FY2017 from ₹ 689 million in FY2016. Consolidated interest expense decreased by 4% YoY to ₹ 4,203 million in FY2017 from ₹ 4,425 million in FY2016.

Profit after Tax and Minority Interest

Standalone Profit after Tax decreased to ₹ 1,335 million in FY2017 from ₹ 1,496 million in FY2016. Consolidated Profit After Tax and Minority Interest increased 28% YoY to ₹ 1,674 million in FY2017 from ₹ 1,295 million in FY2016.

Share Capital

During FY2016, Share Capital of the Company was at ₹ 306 million. Standalone Reserves and Surplus increased to ₹ 24,015 million in FY2017 from ₹ 22,650 million in FY2016, whereas Consolidated Reserves & Surplus Stood at ₹ 21,565 million in FY2017, as against ₹ 19,888 million in FY2016.

Non-Current & Current Liabilities

Standalone Non-Current (long term) borrowings increased to ₹ 5,751 million in FY2017 from ₹ 5,235 million in FY2016. Consolidated Non-Current (long-term) borrowings decreased to ₹ 31,066 million in FY2017 from ₹ 33,801 million in FY2016. Consolidated Current Liabilities decreased to ₹ 11,244 million in FY2017 from ₹ 12,245 million in FY2016.

Fixed Assets

Consolidated Tangible Assets decreased to ₹ 42,002 million in FY2017 from ₹ 43,512 million in FY2016 and CWIP increased to ₹ 3,277 million in FY2017 from ₹ 1,949 million in FY2016.

Current Assets

Consolidated Current Assets decreased to ₹ 14,068 million in FY2017 from ₹ 20,487 million in FY2016, due to a decrease in inventory. Consolidated Inventories decreased to ₹ 9,455 million in FY2017 from ₹ 13,240 million in FY2016.

Risk Management & Internal Controls

PML identifies new risks and re-evaluates old risks during the year, in the process of considering risk mitigating strategies. Some of the risks the Company's core businesses are exposed to include credit risk, market risk, operational risk and legal risk. It is also exposed to specific risks in connection with the management of investments and the environment within which it operates. The Company manages cost escalation risk through processes aimed at optimising costs through suppliers and through rigorous contracts and procurement. To manage project execution risk, PML evaluates track records and performance capabilities to ensure the right contracts are on board. As a part of the monitoring system, a project review is done every week on timelines and budgets to evaluate project cost and costs to completion.

The Company seeks to understand, limit and manage the adverse impacts arising from external and internal events. The risk management team safeguards and protects the Company's assets against unauthorized use or disposition, maintenance of proper accounting records and verification of authenticity of all transactions. Within the Company, the directors are responsible for maintenance of a sound system of internal controls. This is done by way of continuous process of identifying, evaluating and managing the risks faced by the company.

The Group's effectiveness on internal control and their internal control system is also checked by external agencies. This results in an unbiased and independent examination of the adequacy and effectiveness of the internal control system and aims to achieve the objective of optimal functioning of the Company.

Information Technology

Your Company well understands that an adequately equipped IT infrastructure, both technologically and quantitatively, is the foundation for stable IT systems and optimal IT support. It has the best-in-class IT systems and the entire IT backbone to manage administration and delivery of its services. A key hallmark of its IT systems is its ability to monitor and assist each retail store, helping them manage their business better and has a comprehensive package for managing its retail properties. This enables the entire operation to be on a centralised platform offering single-system property management and accounting integration.

The advanced IT system facilitates PML in establishing various business intelligence reports for investment management, electronic procurement, paperless transaction processing, budgeting, forecasting and cash flow modelling. The Company has adopted global standards in information automation, performance metrics and management excellence. The efficient enhancement of the application environment at different locations in the business processes and in sales network is just as vital as having a modern IT infrastructure. The technical staff is responsible not only for programming the systems, but also supporting the users in technical development. Expert teams develop solutions that can be applied across verticals to establish IT standards in business areas that are the basis for leveraging potential synergies.

Cautionary Statement

This document contains statements about expected future events, financial and operating results of The Phoenix Mills Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirely by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of The Phoenix Mills Limited's Annual Report, 2016-17.