

Thane launch, response to be key monitorable...

About the stock: Oberoi Realty (ORL) is a Mumbai-focused premium real estate developer with a presence in the residential, commercial and hospitality segments.

- Residential portfolio of ~16 mn sq ft of ongoing projects and with launches providing healthy growth and cash flow visibility over medium term

Q3FY23 Results: ORL reported a weak performance on sales booking.

- Sales value was at ₹ 631 crore, down ~68% YoY, ~45% QoQ, with one new tower of Borivali launched while Worli sales were suspended amid deal (refer page 2). In terms of overall sales volume, ORL managed to sell 3.6 lakh sq ft area in Q3FY23, down ~66% YoY (project wise detail on page 5)
- On the financial front, reported revenues were up ~96% YoY at ₹ 1629.5 crore, led by strong revenue recognition in the residential segment
- Reported EBITDA margins, thus, were up 18 percentage points YoY to 57.7% due to operating leverage. Reported PAT was at ₹ 702.6 crore, up 50.3% YoY, given the strong operating profits

What should investors do? ORL's share price has grown at ~13% CAGR over the past five years.

- We maintain **HOLD** rating on the company. Further value accretion will be seen with new foray into non MMR and society redevelopment projects. Thane launch (likely over Q4FY23 and Q1FY24), and response thereof, also remain key monitorables

Target Price and Valuation: We value ORL at ₹ 950/share.

Key triggers for future price performance:

- Uniquely positioned in MMR's premium residential segment; eyeing opportunities beyond MMR region over medium term
- Launch of Thane project, which will propel sales volume trajectory
- Strong cash flow visibility from ongoing and planned projects

Alternate Stock Idea: Besides ORL, we like Brigade in the real estate space.

- A play on strong portfolio of assets in southern market
- BUY with a target price of ₹ 620



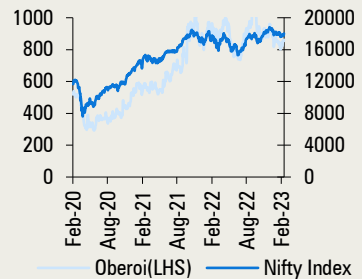
Particulars

Particular	₹ crore
Market Capitalization	32,144
Total Debt (FY22)	2,855
Cash & Inv (FY22)	2,991
EV	32,009
52 week H/L (₹)	1089 / 726
Equity capital	363.6
Face value (₹)	10.0

Shareholding pattern

	Mar-22	Jun-22	Sep-22	Dec-22
Promoters	67.7	67.7	67.7	67.7
DII	8.9	9.8	9.8	12.5
FII	20.3	19.4	19.4	17.3
Other	3.1	3.1	3.1	2.5

Price Chart



Key Risks

Key Risk: (i) Any slowdown in residential real estate; (ii) Addition of new projects, which may boost visibility

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Key Financial Summary

₹ crore	FY21	FY22	5 yr CAGR (FY17-22)	FY23E	FY24E	FY25E	3 yr CAGR (FY22-25E)
Net Sales	2052.6	2694.0	19.3%	4062.3	5560.6	5668.6	28.1%
EBITDA	1000.4	1181.3	15.7%	2034.1	2801.0	3158.0	38.8%
EBITDA Margin (%)	48.7	43.9		50.1	50.4	55.7	
Net Profit	739.3	1047.1	22.8%	1655.5	2061.7	2390.0	31.7%
EPS (₹)	20.3	28.8		45.5	56.7	65.7	
P/E (x)	43.5	30.7		19.4	15.6	13.4	
EV/EBITDA (x)	31.9	27.1		15.8	11.1	9.3	
RoE (%)	7.9	7.8		11.5	13.8	13.4	
RoCE (%)	9.1	9.0		13.4	16.3	16.1	

Key business highlight and outlook

Thane to drive volumes ahead

ORL reported sales value of ₹ 631 crore, down ~68% YoY, ~45% QoQ, with one new tower of Borivali launched while Worli sales were suspended amid deal. In terms of overall sales volume, the company managed to sell 3.6 lakh sq ft area during Q3FY23, down ~66% YoY. Going forward, the company is looking to launch its Kolshet Road, Thane, project in March, 2023 and the Pokhran Road project in Q1FY24. Additionally, the management is planning to launch subsequent phase of Goregaon in near future, given the lower available inventory now in these locations. On a healthy base of 2.1 million sq feet (msf) sales volume in FY22, we bake 2.5 msf, 3.5 msf, and 3.5 msf volumes in FY23E, FY24E and FY25E respectively, with Borivali, Thane, Goregaon volumes driving the same along with pick-up in Worli.

Hospitality, retail remain robust

Revenue for Westin Mumbai Garden City came in at ₹ 41.9 crore (up 68% YoY, ~23% QoQ), ARR was at ₹ 12,344 (up ~78% YoY, ~29% QoQ), and RevPAR was at ₹ 9,961 (up ~99% YoY, ~26% QoQ); with occupancies at 80% (83% in Q2FY23). For Oberoi Mall, the company has booked revenue of ₹ 37.3 crore during Q3FY23 (up 51% YoY) with normalisation in mall operations. Commerz-I revenues was muted and down ~3% YoY (to ₹ 6.9 crore). For Commerz-II, revenue was muted (down ~9% YoY to ₹ 29.5 crore, primarily due to decline in occupancy level (to 80.1%). The management expects occupancies in Commerz-II to improve in the near-to-medium term with uptick in demand for office space. Commerz-III, having ~2.4 mn sq ft area (1.5 msf leased out to Morgan Stanley), is under construction and likely to get completed by FY23-end. For this project, the company is under discussion with a large occupiers and expects leasing momentum to pick-up going forward.

Key conference call takeaways

- **Bluestar Land deal:** ORL completed the acquisition of an 8-acre land parcel from Blue Star for ₹ 192 crore at Pokhran Road 2, Thane. The land is adjoining the existing 60 acres that Oberoi owns in Thane, giving it an additional 2.25 msf of saleable area (2.1 msf residential + 0.15 msf commercial)
- **Worli Deal:** ORL concluded the transaction to acquire 0.5 mn sq. ft of Three Sixty West from the JV partner for a consideration of ~ ₹ 4000 crore (including stamp duty of ₹ 204 crore and tax liabilities of ₹ 605 crore). These units are now part of Oberoi Realty with 100% economic interest and is against the money due from the JV. The sales remained suspended amid the deal in Q3
- **Debt:** Net debt came in higher at ₹ 2463 crore, up ~₹ 480 crore QoQ, owing to Worli payout
- **Thane Launch:** The company is planning targets to launch its Kolshet Road, Thane, project in March, 2023 and the Pokhran Road project in Q1FY24

We expect sales momentum ahead to be robust driven by new launches in Thane and Goregaon/Borivali subsequent phases. We maintain HOLD with a target price of ₹ 950/share. Further value accretion will be seen once new foray into non-MMR and society redevelopment projects are seen and incorporated in NAV. We have not made adjustment for Worli deal, pending clarity.

Exhibit 1: Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	YoY (Chg %)	Q2FY23	QoQ (Chg %)	Comments
Income from Operation	1,629.5	896.3	832.0	95.8	688.6	136.6	Topline higher owing to strong revenue recognition in residential segment
Other Income	22.0	24.0	14.2	55.4	23.2	-5.0	
Operating Cost	642.8	427.0	461.9	39.2	335.2	91.8	
Employee cost	19.4	22.0	15.7	23.3	20.7	-6.5	
Other expenditure	26.9	22.3	22.8	17.9	22.3	20.9	
EBITDA	940.4	425.1	331.6	183.6	310.4	202.9	
EBITDA Margin (%)	57.7	47.4	39.9	1786 bps	45.1	1263 bps	
Depreciation	10.2	10.1	9.9	2.8	10.1	1.3	
Interest	38.1	37.0	20.0	90.8	36.3	4.9	
PBT	914.1	402.0	315.9	189.4	287.3	218.2	
Taxes	226.0	101.0	83.7	170.1	69.2	226.4	
PAT	702.6	371.0	467.5	50.3	318.6	120.5	

Key Metrics

Sales Volume (in sq ft)	3,59,219	10,40,679	-65.5	3,70,414	-3.0
Sales value (₹ crore)	631	1,965	-67.9	1,156	-45.4

Source: Company, ICICI Direct Research

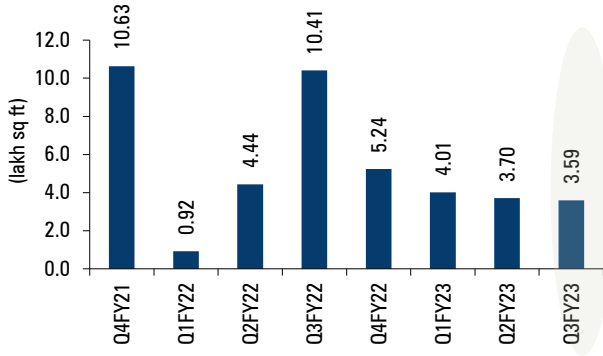
Exhibit 2: Change in estimates

(₹ Crore)	FY23E		FY24E		FY25E			
	New	Old	New	% Change	Old	New		% Change
Revenue	4062.3	4805.5	5560.6	15.7	5636.7	5668.6	0.6	Realign estimates
EBITDA	2034.1	2353.6	2801.0	19.0	3020.6	3158.0	4.5	
EBITDA Margin (%)	50.1	49.0	50.4	139 bps	53.6	55.7	212 bps	
PAT	1655.5	1711.8	2061.7	20.4	2275.0	2390.0	5.1	
EPS (₹)	45.5	47.1	56.7	20.4	62.6	65.7	5.1	

Source: Company, ICICI Direct Research

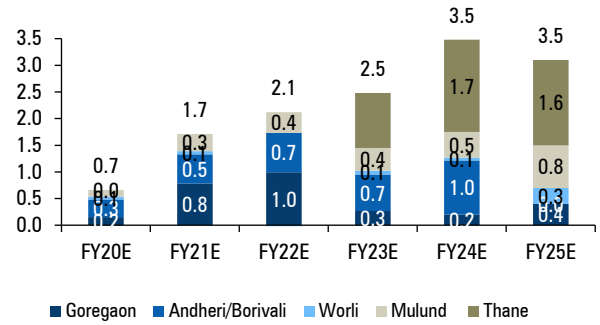
Company Analysis

Exhibit 3: Quarterly sales volumes trend



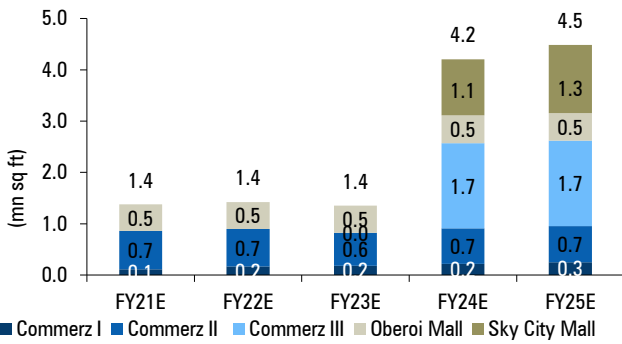
Source: Company, ICICI Direct Research

Exhibit 4: Sales volumes ahead to be driven by Thane



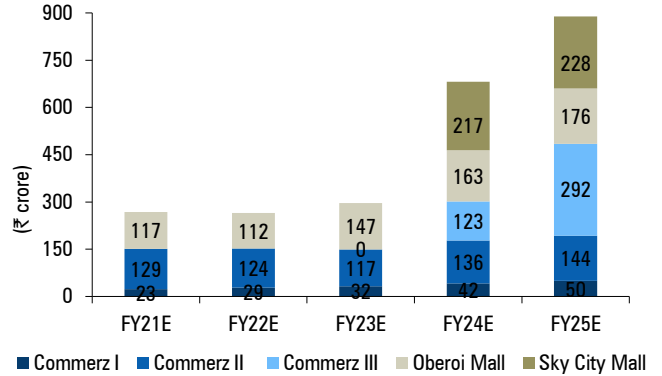
Source: Company, ICICI Direct Research

Exhibit 5: Leasing trend



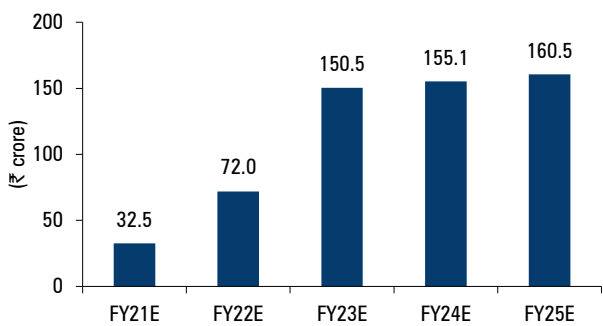
Source: Company, ICICI Direct Research

Exhibit 6: Leasing revenues trend



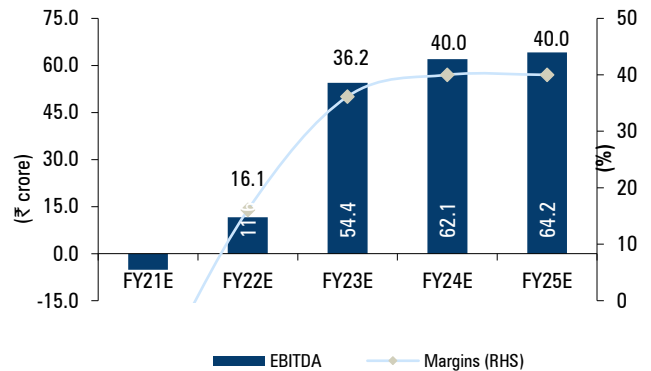
Source: Company, ICICI Direct Research

Exhibit 7: Hotel revenue trend



Source: Company, ICICI Direct Research

Exhibit 8: Westin's operating profit trend



Source: Company, ICICI Direct Research

Exhibit 9: Ongoing residential projects operational metrics

Particulars	Q3FY23	Q2FY23	Q1FY23	Q4FY22	Q3FY22
Area Booked (sq ft)					
Three Sixty West	-	73,281	-	(9,562)	-
Maxima	4,493	10,582	12,053	54,915	75,444
Eternia	52,170	36,350	53,520	65,900	49,530
Enigma	49,725	82,373	50,432	81,618	68,462
Sky City	2,48,820	1,04,728	1,38,503	1,84,377	2,23,572
Elysian	4,011	63,100	1,40,946	97,402	5,67,826
Total	3,59,219	3,70,414	4,01,182	5,24,291	10,40,679
Sales Value (₹ crore)					
Three Sixty West	-	609.6	-	(48.1)	-
Maxima	8.2	19.2	21.9	86.9	118.9
Eternia	81.9	57.0	85.2	101.4	76.0
Enigma	75.5	130.6	78.0	124.3	102.9
Sky City	457.8	204.7	256.0	337.3	403.0
Elysian	7.3	134.6	303.2	194.5	1,133.9
Total	630.7	1155.7	761.1	925.0	1965.2
Avg. Realization for the quarter (₹/sq ft)					
Three Sixty West	-	83,181	-	-	-
Maxima	18,317	18,163	18,170	15,815	15,765
Eternia	15,697	15,667	15,912	15,392	15,338
Enigma	15,175	15,851	15,470	15,223	15,023
Sky City	18,400	19,547	18,484	18,296	18,027
Elysian	18,125	21,338	21,508	19,966	19,969
Project Completion (%)					
Three Sixty West	100	100	100	*	*
Maxima	71.0	71.0	66.0	63.0	61.0
Eternia	81.0	81.0	75.0	71.0	71.0
Enigma	78.0	78.0	72.0	69.0	67.0
Sky City	90.0	90.0	90.0	87.0	84.0
Elysian	*	*	*	*	*
Inventory as on Date (sq ft)					
Three Sixty West	NA	1567655	1640936	1640936	1631374
Maxima	22640	27133	37715	49579	104494
Eternia#	1108768	1020550	1173900	1227420	1293320
Enigma#	920791	970516	1054270	1104702	1186320
Sky City#	247182	496002	600730	739233	923610
Elysian	1012129	1016140	1079240	1220186	1317588

Source: Company, ICICI Direct Research

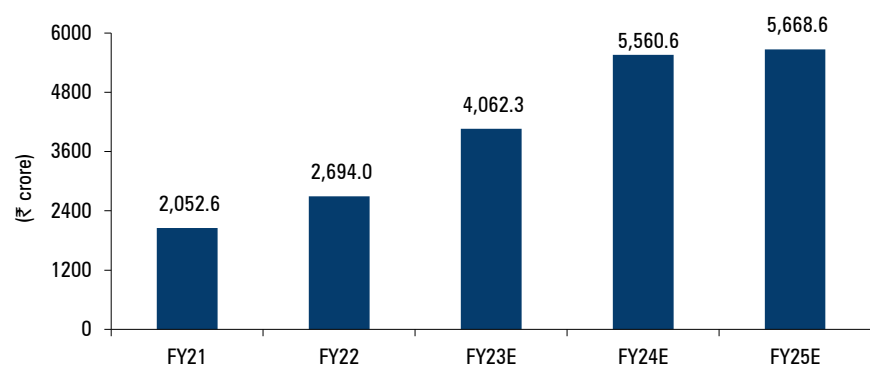
Exhibit 10: Operational trend in Oberoi's rental, hospitality portfolio

	Q3FY23	Q2FY23	Q1FY23	Q4FY22	Q3FY22
Oberoi Mall (Retail Property)					
Operating Revenue (₹ crore)	37.3	34.7	37.6	80.3	24.7
EBITDA margin (%)	95.0	95.5	95.6	95.5	94.2
Occupancy (%)	96.5	96.2	96.0	95.0	96.2
Realisation (₹/sqft/month)	233	218	236	NA	NA
Commerz I (Commercial Space)					
Operating Revenue (₹ crore)	6.9	7.6	7.8	7.3	7.1
EBITDA margin(%)	90.0	89.2	77.6	91.0	91.5
Occupancy (%)	56.8	56.8	53.5	53.5	53.5
Realisation (₹/sqft/month)	130	142	155	145	142
Commerz II Phase I (Commercial Space)					
Operating Revenue (₹ crore)	29.5	28.8	27.2	27.2	32.5
EBITDA margin(%)	92.9	92.8	92.3	92.1	95.3
Occupancy (%)	80.1	81.1	80.9	80.9	97.4
Realisation (₹/sqft/month)	157	151	143	143	142
The Westin Mumbai Garden City (Hospitality)					
Operating Revenue (₹ crore)	41.9	34.1	34.8	22.8	24.9
EBITDA margin(%)	37.7	32.5	39.0	24.4	23.9
Average Room Rate (₹)	12344	9546	9116	7166	6918
Occupancy (%)	80.0	82.7	91.3	74.7	72.2
RevPAR (₹)	9961	7891	8236	5397	5001

Source: Company, ICICI Direct Research

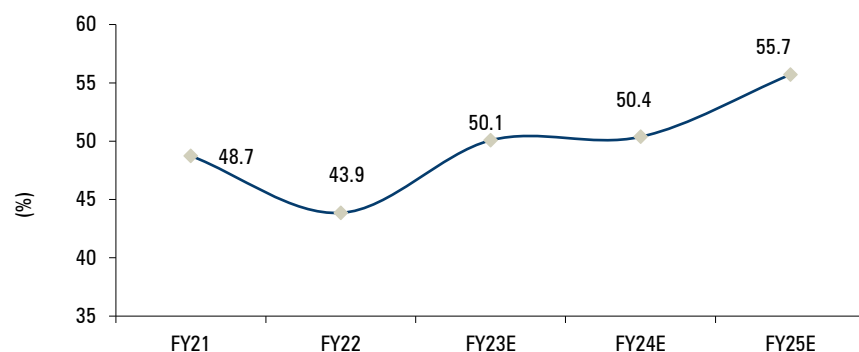
Financial story in charts

Exhibit 11: Revenue trend



Source: Company, ICICI Direct Research

Exhibit 12: EBITDA margin trend



Source: Company, ICICI Direct Research

Valuation

We maintain **HOLD** rating on the company with a target price of ₹ 950. Further value accretion will be seen once new foray into non MMR and society redevelopment projects are seen. Launch of Thane will be the other key monitorable for the company. We have not incorporated Three Sixty West deal into our estimates for lack of clarity.

Exhibit 13: Valuation

Location	Type	Status	NAV	NAV Multiple	Value (₹ cr)	₹/share
Goregaon			10,798.7		10,798.7	297.0
Oberoi Mall	Retail	Completed	2,080.6	1.0	2,080.6	57.2
Commerz I	Commercial	Completed	467.9	1.0	467.9	12.9
Westin	Hotel	Completed	1,241.2	1.0	1,241.2	34.1
Commerz II	Commercial	Ongoing	1,602.4	1.0	1,602.4	44.1
Elysian	Residential	Ongoing	1,403.5	1.0	1,403.5	38.6
Commerz III	Commercial	Planned	4,003.1	1.0	4,003.1	110.1
Andheri/Borivali			7,110.5		7,110.5	195.6
Oberoi Maxima	Residential	Ongoing	114.1	1.0	114.1	3.1
Borivali	Residential	Ongoing	3,868.8	1.0	3,868.8	106.4
Borivali	Mall	Planned	3,127.5	1.0	3,127.5	86.0
Worli			6,202.4		6,202.4	170.6
Oasis Residential	Residential	Ongoing	4,475.0	1.0	4,475.0	123.1
Oasis Hospitality	Hotel	Ongoing	556.4	1.0	556.4	15.3
I-Ventures	Residential	Planned	1,171.1	1.0	1,171.1	32.2
Thane (Pokhanran Road)	Residential	Planned	6,115.9	1.0	6,115.9	168.2
Thane (Kolshet)	Residential	Planned	466.2	1.0	466.2	12.8
Mulund			1,876.4		1,876.4	51.6
Eternia	Residential	Ongoing	873.6	1.0	873.6	24.0
Enigma	Residential	Ongoing	1,002.8	1.0	1,002.8	27.6
Net cash/ (Debt)			(1,030.0)	1.0	(1,030.0)	(28.3)
Total			31,603.9	1.0	31,540.0	867
Premium for growth (10%)						87
Rounded off Target price					34,542.2	950

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 14: Profit and loss statement					₹ crore
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Net Sales	2,694.0	4,062.3	5,560.6	5,668.6	
Other Operating Income	0.0	0.0	0.0	0.0	
Total Operating Income	2,694.0	4,062.3	5,560.6	5,668.6	
Growth (%)	31.2	50.8	36.9	1.9	
Operating Costs	1,349.6	1,839.5	2,540.7	2,256.1	
Employee Expenses	68.4	75.2	82.7	91.0	
Other Expenses	94.6	113.5	136.3	163.5	
Total Operating Expenditure	1,512.6	2,028.2	2,759.6	2,510.6	
EBITDA	1,181.3	2,034.1	2,801.0	3,158.0	
Growth (%)	18.1	72.2	37.7	12.7	
Depreciation	39.8	101.7	151.7	201.7	
Interest	86.0	148.5	171.3	171.3	
Other Income	58.5	50.0	50.0	50.0	
PBT	1,114.0	1,834.0	2,528.0	2,835.0	
Prior Period Adjustments	0.0	0.0	0.0	0.0	
Total Tax	306.5	458.5	637.1	714.4	
PAT before profit from associates	807.5	1,375.5	1,890.9	2,120.6	
Minority Interest	0.0	0.0	0.0	0.0	
Profit from associates	239.6	280.0	170.8	269.4	
PAT	1,047.1	1,655.5	2,061.7	2,390.0	
EPS (₹)	28.8	45.5	56.7	65.7	

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement					₹ crore
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Profit after Tax	1,047.1	1,655.5	2,061.7	2,390.0	
Depreciation	39.8	101.7	151.7	201.7	
Interest	86.0	148.5	171.3	171.3	
Others	-298.1	-330.0	-220.8	-319.4	
Net Increase in Current Assets	-1,209.0	-797.5	-1,449.8	-97.1	
Net Increase in Current Liabilities	1,278.4	0.0	0.0	0.0	
Net cf from operating activities	944.3	778.2	714.2	2,346.4	
(Purchase)/Sale of Fixed Assets	-1,322.2	-860.7	408.4	-343.4	
Others	-298.1	-330.0	-220.8	-319.4	
Net cf from Investing Activities	-2,019.8	-530.7	629.3	-24.0	
Inc / (Dec) in Equity Capital	109.0	0.0	0.0	0.0	
Inc / (Dec) in Loan Funds	1,321.7	0.0	0.0	0.0	
(Payment) of Dividend & Div. Tax	-109.1	-145.4	-290.9	-290.9	
Interest paid	-86.0	-148.5	-171.3	-171.3	
Net cf from Financing Activities	1,235.5	-293.9	-462.2	-462.2	
Net Cash flow	160.0	-46.5	881.2	1,860.2	
Opening Cash/Cash Equivalent	133.1	293.2	246.6	1,127.9	
Closing Cash/ Cash Equivalent	293.2	246.6	1,127.9	2,988.1	

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet					₹ crore
(Year-end March)	FY22	FY23E	FY24E	FY25E	
Equity Capital	363.6	363.6	363.6	363.6	
Preference Capital	0.0	0.0	0.0	0.0	
Reserve and Surplus	10,052.5	11,562.6	13,333.5	15,432.5	
Total Shareholders funds	10,416.1	11,926.2	13,697.1	15,796.1	
Total Debt	2,855.5	2,855.5	2,855.5	2,855.5	
Total Liabilities	15,666	17,176	18,947	21,046	
Assets					
Gross Block	1,291.7	2,541.7	3,791.7	5,041.7	
Less Accumulated Depreciation	311.9	413.6	565.2	766.9	
Net Block	979.8	2,128.1	3,226.4	4,274.8	
Capital WIP	3,297.4	2,908.1	1,249.7	343.1	
Total Fixed Assets	4,277.2	5,036.2	4,476.1	4,617.9	
Goodwill on consolidation	0.0	0.0	0.0	0.0	
Investments	2,697.5	2,697.5	2,697.5	2,697.5	
Inventory	5,036.1	4,526.5	4,527.9	4,527.9	
Debtors	124.6	344.2	444.2	444.2	
Loans and Advances	2,568.8	3,656.1	5,004.6	5,101.7	
Cash	293.2	246.6	1,127.9	2,988.1	
Other Current Assets	666.0	666.0	666.0	666.0	
Total Current Assets	8,688.6	9,439.6	11,770.6	13,727.9	
Creditors	2,393.4	2,393.4	2,393.4	2,393.4	
Provisions	0.8	0.8	0.8	0.8	
Net Current Assets	6,294.4	7,045.4	9,376.3	11,333.7	
Deferred Tax Assets	2.5	2.5	2.5	2.5	
Total Assets	15,666	17,176	18,947	21,046	

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
Per share data (₹)				
EPS	28.8	45.5	56.7	65.7
Cash EPS	29.9	48.3	60.9	71.3
BV	286.5	328.0	376.7	434.4
Operating profit per share	36.0	62.0	85.3	96.2
Cash Per Share	8.1	6.8	31.0	82.2
Operating Ratios (%)				
EBITDA Margin	43.9	50.1	50.4	55.7
PBT / Net Sales	41.4	45.1	45.5	50.0
PAT Margin	30.0	33.9	34.0	37.4
Inventory days	682	407	297	292
Debtor days	17	31	29	29
Creditor days	324	215	157	154
Return Ratios (%)				
RoE	7.8	11.5	13.8	13.4
RoCE	9.0	13.4	16.3	16.1
RoIC	16.4	21.6	23.1	23.4
Valuation Ratios (x)				
P/E	30.7	19.4	15.6	13.4
EV / EBITDA	27.1	15.8	11.1	9.3
EV / Net Sales	11.9	7.9	5.6	5.2
Market Cap / Sales	11.9	7.9	5.8	5.7
Price to Book Value	3.1	2.7	2.3	2.0
Solvency Ratios (x)				
Debt / EBITDA	2.4	1.4	1.0	0.9
Debt / Equity	0.3	0.2	0.2	0.2
Current Ratio	3.5	3.8	4.4	4.5
Quick Ratio	1.4	1.9	2.6	2.6

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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