

CMP: ₹ 857

Target: ₹ 890 (4%)

Target Period: 12 months

HOLD

July 19, 2022

Thane project to be key volume driver ahead...

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 ~15.7 mn sq ft of ongoing projects and launches provides healthy growth and cash flow visibility over medium term

Q1FY23 Results: ORL reported relatively soft sequential sales volumes.

- The company sold ~ 4.01 lakh sq ft area during Q1FY23, up 3.6x YoY (with total booking value of ₹ 761 crore). On a QoQ basis, sales volume has declined 23% with Worli project volumes not taking off and sequential softness in Borivali/Mulund volumes
- On the financial front, reported revenues grew 221.2% YoY (up 10.9% QoQ) to ₹ 913.1 crore led by residential segment revenue recognition, which was at ₹ 772.5 crore, up 265.5% YoY (up 17.8% QoQ). Reported EBITDA margins, thus were up 10 percentage points YoY to 53.9% due to project mix. The reported PAT was at ₹ 403.1 crore, up 400% YoY, given strong operating profit growth and higher profit from share of JV

What should investors do? ORL's share price has grown at ~17% 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 and pick-up in Worli, which has been muted, also remain key monitorables

Target Price and Valuation: We value ORL at ₹ 890/share.

Key triggers for future price performance:

- Uniquely positioned in MMR's premium residential segment; eyeing opportunities beyond MMR region over medium term
- Moving towards a balanced mix of retail, commercial and hospitality assets - provides stability to slow-moving and volatile revenue streams
- 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 ₹ 550



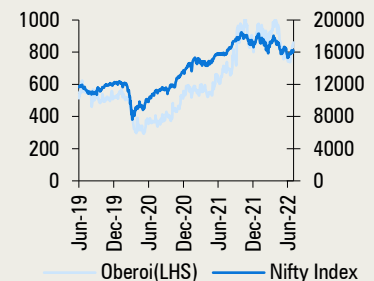
Particulars

Particular	₹ crore
Market Capitalization	29,100
Total Debt (FY22)	2,855
Cash & Inv (FY22)	2,991
EV	28,965
52 week H/L (₹)	1052 / 644
Equity capital	363.6
Face value (₹)	10.0

Shareholding pattern

	Sep-21	Dec-21	Mar-22	Jun-22
Promoters	67.7	67.7	67.7	67.7
DII	7.2	8.6	8.9	9.8
FII	22.2	20.5	20.3	19.4
Other	2.9	3.3	3.1	3.1

Price Chart



Key Risks

Key Risk: (i) Any slowdown in residential real estate; (ii) addition of new projects

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Key Financial Summary

₹ crore	FY20	FY21	FY22	5 yr CAGR (FY16-22)	FY23E	FY24E	2 yr CAGR (FY22-24E)
Net Sales	2237.6	2052.6	2694.0	19.3%	3475.9	4775.5	33.1%
EBITDA	1048.0	1000.4	1181.3	15.7%	1487.1	2140.1	34.6%
EBITDA Margin (%)	46.8	48.7	43.9		42.8	44.8	
Net Profit	689.3	739.3	1047.1	22.8%	1181.6	1470.6	18.5%
EPS (₹)	19.0	20.3	28.8		32.5	40.4	
P/E (x)	45.2	42.2	29.8		26.4	21.2	
EV/EBITDA (x)	26.8	28.8	24.5		19.5	13.3	
RoE (%)	7.9	7.9	7.8		8.2	10.9	
RoCE (%)	10.4	9.1	9.0		10.0	13.2	

Source: Company, ICICI Direct Research

Key business highlight and outlook

Thane to drive FY23 volumes ahead

OLR sold ~ 4.01 lakh sq ft area during Q1FY23, up 3.6x YoY (with total booking value of ₹ 761 crore). On a QoQ basis, sales volume has declined 23% with Worli project volumes not taking off and sequential softness in Borivali/Mulund volumes. The company is looking to launch a new project in Thane during festive season (Q2FY23 end). Additionally, the management is planning to launch subsequent phase of Borivali/Goregaon in H2FY23, given the lower available inventory now in these locations. On a healthy base of 2.1 msf sales volume in FY22, we bake 2.6 msf, 3.1 msf volumes in FY23E, and FY24E respectively, with Borivali/Thane/Goregaon volumes traction driving the same along with pick up in Worli.

Hospitality, retail strong recovery visible

Westin Mumbai Garden City project revenue jumped 4.5x YoY (52.6% QoQ) to ₹ 34.8 crore backed by improvement in occupancy level (to 91.3% in Q1FY23 vs. 38.7% in Q1FY22 & 54.7% in Q4FY22) and rise in average room rates (to ₹ 9,116 in Q1FY23 vs ₹ 4,685 in Q1FY22). Commerz-I revenues improved 8.6% YoY to ₹ 7.8 crore aided by stable occupancy level (at 53.5%). For Commerz-II, revenue dropped 15.1% YoY (to ₹ 27.2 crore) primarily due to decline in occupancy level (to 80.9%). The management said occupancies in Commerz are expected to improve in the near-to-medium term with uptick in demand for office space. For Oberoi Mall, the company has booked revenue of ₹ 37.6 crore during Q1FY23 (vs. ₹ 3.2 crore reported in Q1FY22 and ₹ 30.2 crore reported in Q4FY22) with normalisation in mall operations. Commerz-III, having ~2.4mn sq ft area and Sky City mall, is under construction and likely to get completed for fitouts by FY23-end.

Key conference call takeaways

- ORL has completed construction of Three Sixty West project within RERA deadline and has received occupation certificate (OC). The project has attracted booking of 6,41,410 sq ft (worth ₹ 2,684.1 crore) till now, while it still has inventory of 16,40,936 sq ft. With receipt of OC and higher level of enquiries, the management expects elevated level of sales from the project in the near-to-medium term. Additionally, it is targeting realisation of ~₹ 1,10,000-1,20,000 /sq ft on carpet area.
- On business development front, ORL had entered into an agreement in the recent past for a) project at Peddar Road, Mumbai on land admeasuring ~2,500 sq m, and b) Project at Kolshet, Thane on land admeasuring ~18 acres. These projects are currently under designing stage
- The management seems optimistic to have strong product demand with overall pick-up in real estate demand, volume recovery, favourable term with the suppliers, site consolidation coupled with its strong brand value despite increase in mortgage rates. Parallel to its focus on MMR region, the company is also actively looking forward towards non-MMR region projects
- ORL has undertaken 5-10% price rise across its major projects over past few quarters. Going forward, the management expects realisation to be at an elevated level with rise in input cost and strong underlying demand

We expect sales momentum in FY23 to be robust driven by new launches in Thane and Goregaon/Borivali subsequent phases. We maintain HOLD with a target price of ₹ 890/share. Further value accretion will be seen once new foray into non MMR and society redevelopment projects are seen (awaited for a long time) and incorporated in NAV. Pick up Worli, which has remained muted, also remains a key monitorable.

Exhibit 1: Variance Analysis

	Q1FY23	Q1FY23E	Q1FY22	YoY (Chg %)	Q4FY22	QoQ (Chg %)	Comments
Income from Operation	913.1	824.0	284.3	221.2	823.5	10.9	Topline beat led by superior revenue recognition in residential segment
Other Income	21.7	18.0	10.5	106.3	19.5	11.4	
Operating Cost	381.3	395.0	132.0	188.8	411.7	-7.4	
Employee cost	18.2	20.0	15.6	16.7	21.5	-15.2	
Other expenditure	21.5	30.0	11.8	82.6	38.5	-44.3	
EBITDA	492.2	379.0	124.9	294.1	351.8	39.9	
EBITDA Margin (%)	53.9	46.0	43.9	997 bps	42.7	1118 bps	
Depreciation	9.8	10.0	10.1	-3.1	9.7	1.1	
Interest	32.6	32.0	17.3	88.0	31.6	3.2	
PBT	471.5	355.0	108.0	336.7	330.0	42.9	
Taxes	113.7	100.0	29.0	292.1	98.4	15.5	
PAT	403.1	256.0	80.6	399.9	232.4	73.5	Topline beat led to flow through in operating profit and bottomline

Key Metrics

Sales Volume (in sq ft)	4,01,182	92,128	335.5	5,24,291	-23.5
Sales value (₹ crore)	752	170	342.4	925	-18.7

Source: Company, ICICI Direct Research

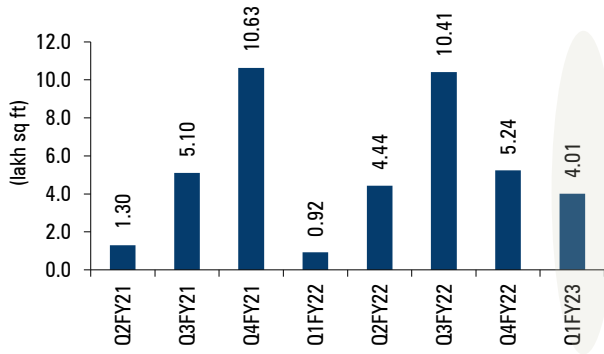
Exhibit 2: Change in estimates

(₹ Crore)	FY21	FY22	FY23E			FY24E			
			Old	New	% Change	Old	New	% Change	
Revenue	2052.6	2694.0	3124.5	3475.9	11.2	4951.4	4775.5	-3.6	Realign estimates
EBITDA	1000.4	1181.3	1318.2	1487.1	11.2	2096.1	2140.1	-3.6	
EBITDA Margin (%)	48.7	43.9	42.2	42.8	59 bps	42.3	44.8	248 bps	
PAT	739.3	1047.1	1115.6	1181.6	5.9	1454.2	1470.6	1.1	
EPS (₹)	20.3	28.8	30.7	32.5	5.9	40.0	40.4	1.1	

Source: Company, ICICI Direct Research

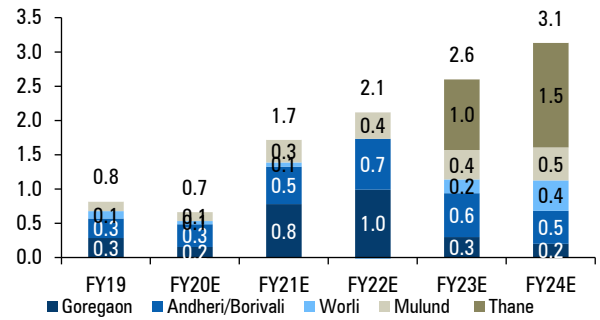
Company Analysis

Exhibit 3: Quarterly sales volumes trend



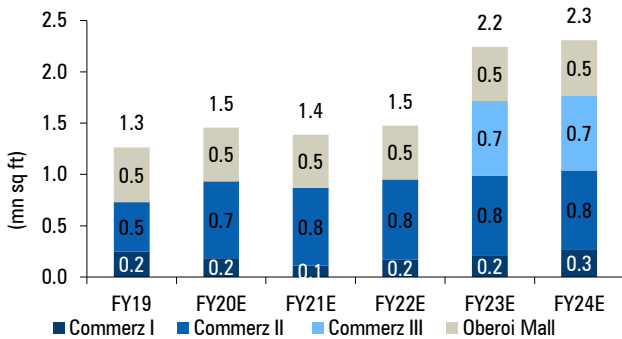
Source: Company, ICICI Direct Research

Exhibit 4: Sales volumes in FY23 to be driven by Thane



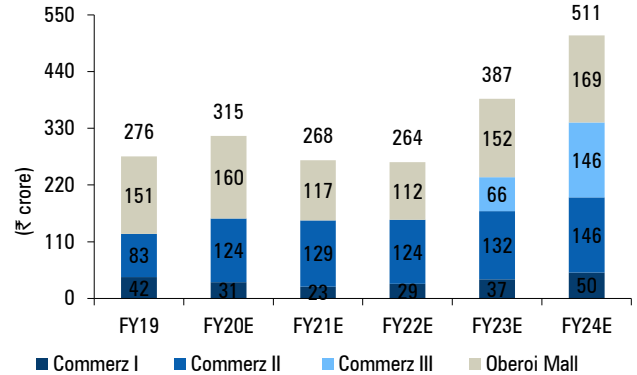
Source: Company, ICICI Direct Research

Exhibit 5: Leasing trend



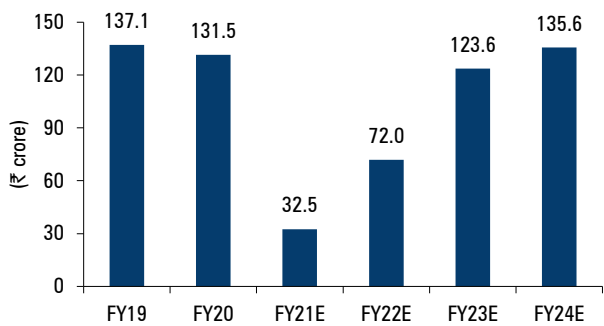
Source: Company, ICICI Direct Research

Exhibit 6: Leasing revenues trend



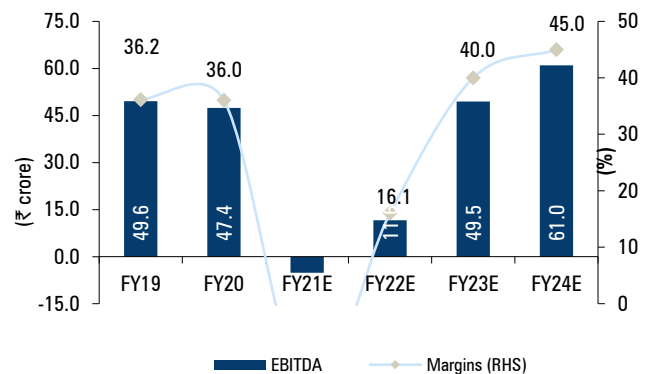
Source: Company, ICICI Direct Research

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	Q1FY23	Q4FY22	Q3FY22	Q2FY22	Q1FY22
Area Booked (sq ft)					
Oberoi Esquire	5728	45267	44055	100672	9992
Oberoi Exquisite	0	4374	11790	14635	11705
Three Sixty West	0	-9562	0	-9562	
Maxima	12053	54915	75444	27417	6861
Prisma	0	0	-	-	2800
Eternia	53520	65900	49530	40000	6940
Enigma	50432	81618	68462	64710	12182
Sky City	138503	184377	223572	132872	31610
Elysian	1,40,946	97,402	5,67,826	72,960	10,038
Total	4,01,182	5,24,291	10,40,679	4,43,704	92,128
Sales Value (₹ crore)					
Oberoi Esquire	16.8	116.5	107.4	238.9	22.8
Oberoi Exquisite	-	12.3	23.0	33.3	26.0
Three Sixty West	-	(48.1)	-	(38.6)	-
Maxima	21.9	86.9	118.9	44.5	11.3
Prisma	-	-	-	-	6.2
Eternia	85.2	101.4	76.0	59.7	11.2
Enigma	78.0	124.3	102.9	98.8	19.5
Sky City	256.0	337.3	403.0	246.4	54.8
Elysian	303.15	194.47	1133.9	145.73	18.11
Avg. Realization for the quarter (₹/sq ft)					
Oberoi Esquire	29,399	25,734	24,385	23,729	22,848
Oberoi Exquisite		28,052	19,542	22,754	22,247
Three Sixty West				40,316	
Maxima	18,170	15,815	15,765	16,213	16,412
Prisma					22,107
Eternia	15,912	15,392	15,338	14,925	16,138
Enigma	15,470	15,223	15,023	15,268	16,015
Sky City	18,484	18,296	18,027	18,540	17,346
Elysian	21,508	19,966	19,969	19,974	18,041
Project Completion (%)					
Oberoi Esquire	100.0	100.0	100.0	100.0	100.0
Oberoi Exquisite	100.0	100.0	100.0	100.0	100.0
Three Sixty West	100	*	*	*	*
Maxima	66.0	63.0	61.0	56.0	53.0
Prisma	100.0	100.0	100.0	100.0	100.0
Eternia	75.0	71.0	71.0	69.0	67.0
Enigma	72.0	69.0	67.0	66.0	64.0
Sky City	90.0	87.0	84.0	83.0	81.0
Elysian	*	*	*	*	*
Inventory as on Date (sq ft)					
Oberoi Esquire	2195	7923	53190	97247	197919
Oberoi Exquisite	0	0	4374	16174	30809
Three Sixty West	1640936	1640936	1631374	1631374	1621812
Maxima	37715	49579	104494	273240	300657
Prisma	6371	6371	6371	6371	6371
Eternia#	1173900	1227420	1293320	1342850	1382850
Enigma#	1054270	1104702	1186320	1254782	1319492
Sky City#	600730	739233	923610	1147182	1280054
Elysian	1079240	1220186	1317588	565201	638161

Source: Company, ICICI Direct Research

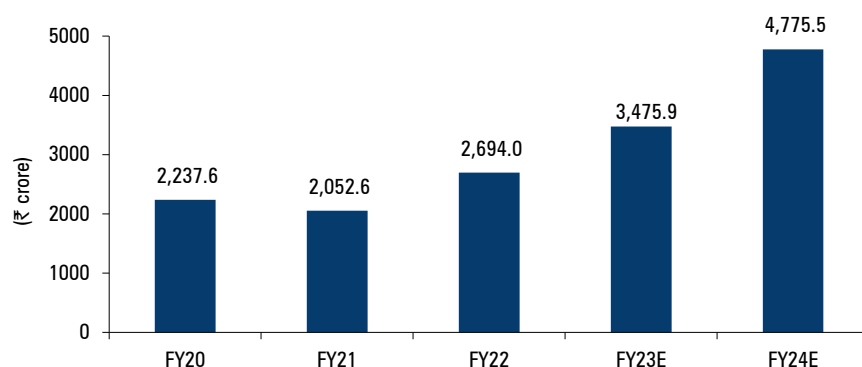
Exhibit 10: Operational trend in Oberoi's rental, hospitality portfolio

	Q1FY23	Q4FY22	Q3FY22	Q2FY22	Q1FY22
Oberoi Mall (Retail Property)					
Operating Revenue (₹ crore)	37.6	80.3	24.7	3.8	3.2
EBITDA margin (%)	95.6	95.5	94.2	50.3	63.0
Occupancy (%)	96.0	95.0	96.2	94.6	92.6
Realisation (₹/sqft/month)	236	NA	NA	NA	NA
Commerz I (Commercial Space)					
Operating Revenue (₹ crore)	7.8	7.3	7.1	7.1	7.2
EBITDA margin(%)	77.6	91.0	91.5	91.6	91.5
Occupancy (%)	53.5	53.5	53.5	53.5	53.5
Realisation (₹/sqft/month)	155	145	142	142	143
Commerz II Phase I (Commercial Space)					
Operating Revenue (₹ crore)	27.2	27.2	32.5	32.1	32.0
EBITDA margin(%)	92.3	92.1	95.3	94.7	94.2
Occupancy (%)	80.9	80.9	97.4	97.4	97.4
Realisation (₹/sqft/month)	143	143	142	140	140
The Westin Mumbai Garden City (Hospitality)					
Operating Revenue (₹ crore)	34.8	22.8	24.9	16.4	7.8
EBITDA margin(%)	39.0	24.4	23.9	16.6	-34.6
Average Room Rate (₹)	9116	7166	6918	4378	4685
Occupancy (%)	91.3	74.7	72.2	83.7	38.7
RevPAR (₹)	8236	5397	5001	3637	1764

Source: Company, ICICI Direct Research

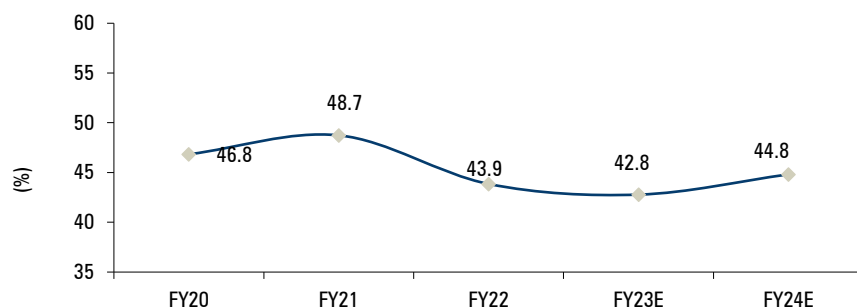
Financial story in charts

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 ₹ 890. Further value accretion will be seen once new foray into non MMR and society redevelopment projects are seen. Launch of Thane and traction in Worli will be the other key monitorable for the company

Exhibit 13: Valuation

Location	Type	Status	NAV	NAV Multiple	Value (₹ cr)	₹/share
Goregaon			11,505.4		11,505.4	316.4
Oberoi Mall	Retail	Completed	2,318.4	1.0	2,318.4	63.8
Commerz I	Commercial	Completed	328.0	1.0	328.0	9.0
Westin	Hotel	Completed	741.8	1.0	741.8	20.4
Exquisite I	Residential	Ongoing	208.5	1.0	208.5	5.7
Esquire	Residential	Ongoing	523.5	1.0	523.5	14.4
Commerz II	Commercial	Ongoing	1,447.9	1.0	1,447.9	39.8
Elysian	Residential	Ongoing	1,822.1	1.0	1,822.1	50.1
Commerz III	Commercial	Planned	4,003.1	1.0	4,003.1	110.1
Social Infrastructure	Social Infrastructure		111.9	1.0	111.9	3.1
Andheri/Borivali			5,166.5		5,166.5	142.1
Oberoi Maxima	Residential	Ongoing	114.7	1.0	114.7	3.2
Oberoi Prisma	Residential	Ongoing	3.0	1.0	3.0	0.1
Oberoi Splendour IT park	Commercial	Planned	73.6	1.0	73.6	2.0
Oberoi Splendour school	Social Infrastructure	Planned	14.7	1.0	14.7	0.4
Borivali	Residential	Ongoing	2,694.5	1.0	2,694.5	74.1
Borivali	Mall	Planned	2,266.1	1.0	2,266.1	62.3
Worli			6,392.2		6,392.2	175.8
Oasis Residential	Residential	Ongoing	4,483.3	1.0	4,483.3	123.3
Oasis Hospitality	Hotel	Ongoing	689.5	1.0	689.5	19.0
I-Ventures	Residential	Planned	1,219.4	1.0	1,219.4	33.5
Thane						
Thane (Kolshet)	Residential	Planned	4,922.5	1.0	4,922.5	135.4
Thane (Kolshet)	Residential	Planned	466.2	1.0	466.2	12.8
Mulund			2,059.4		2,059.4	56.6
Eternia	Residential	Ongoing	995.0	1.0	995.0	27.4
Enigma	Residential	Ongoing	969.5	1.0	969.5	26.7
Mulund Commercial	Commercial	Planned	94.9	1.0	94.9	2.6
Pune			104.6		-	-
Sangam city - Residential	Residential	Planned	41.3	-	-	-
Sangam city - Commercial	Commercial	Planned	33.7	-	-	-
Sangam city - Retail	Retail	Planned	29.7	-	-	-
Net cash/ (Debt)			(1,200.0)	1.0	(1,200.0)	(33.0)
Total			29,416.6	1.0	29,312.1	806
Premium for growth (10%)						81
Rounded off Target price						890

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 14: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Net Sales	2,052.6	2,694.0	3,475.9	4,775.5
Other Operating Income	0.0	0.0	0.0	0.0
Total Operating Income	2,052.6	2,694.0	3,475.9	4,775.5
Growth (%)	-8.3	31.2	29.0	37.4
Operating Costs	890.8	1,349.6	1,800.1	2,416.5
Employee Expenses	49.1	68.4	75.2	82.7
Other Expenses	112.2	94.6	113.5	136.3
Total Operating Expenditure	1,052.2	1,512.6	1,988.8	2,635.4
EBITDA	1,000.4	1,181.3	1,487.1	2,140.1
Growth (%)	-13.4	18.1	25.9	43.9
Depreciation	41.2	39.8	101.7	151.7
Interest	76.0	86.0	171.3	171.3
Other Income	38.0	58.5	50.0	50.0
PBT	921.2	1,114.0	1,264.1	1,867.1
Prior Period Adjustments	0.0	0.0	0.0	0.0
Total Tax	185.1	306.5	328.7	485.4
PAT before profit from associates	736.0	807.5	935.4	1,381.7
Minority Interest	0.0	0.0	0.0	0.0
Profit from associates	3.3	239.6	246.2	89.0
PAT	739.3	1,047.1	1,181.6	1,470.6
EPS (₹)	20.3	28.8	32.5	40.4

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after Tax	739.3	1,047.1	1,181.6	1,470.6
Depreciation	41.2	39.8	101.7	151.7
Interest	76.0	86.0	171.3	171.3
Others	-41.3	-298.1	-296.2	-139.0
Net Increase in Current Assets	39.2	-1,209.0	-269.7	-1,271.0
Net Increase in Current Liabilities	71.2	1,278.4	0.0	0.0
Net cf from operating activities	925.6	944.3	888.7	383.7
(Purchase)/Sale of Fixed Assets	-1,681.1	-1,322.2	-860.7	408.4
Others	-41.3	-298.1	-296.2	-139.0
Net cf from Investing Activities	-840.1	-2,019.8	-564.6	547.4
Inc / (Dec) in Equity Capital	0.4	109.0	0.0	0.0
Inc / (Dec) in Loan Funds	15.0	1,321.7	0.0	0.0
(Payment) of Dividend & Div. Tax	0.0	-109.1	-145.4	-290.9
Interest paid	-76.0	-86.0	-171.3	-171.3
Net cf from Financing Activities	-60.7	1,235.5	-316.8	-462.2
Net Cash flow	24.8	160.0	7.4	468.8
Opening Cash/Cash Equivalent	108.3	133.1	293.2	300.5
Closing Cash/ Cash Equivalent	133.1	293.2	300.5	769.4

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet				
	₹ crore			
(Year-end March)	FY21E	FY22	FY23E	FY24E
Equity Capital	363.6	363.6	363.6	363.6
Preference Capital	0.0	0.0	0.0	0.0
Reserve and Surplus	9,005.5	10,052.5	11,088.7	12,268.4
Total Shareholders funds	9,369.1	10,416.1	11,452.3	12,632.0
Total Debt	1,533.8	2,855.5	2,855.5	2,855.5
Total Liabilities	12,019	15,666	16,702	17,882
Assets				
Gross Block	1,287.1	1,291.7	2,541.7	3,791.7
Less Accumulated Depreciation	273.4	311.9	413.6	565.2
Net Block	1,013.8	979.8	2,128.1	3,226.4
Capital WIP	1,979.7	3,297.4	2,908.1	1,249.7
Total Fixed Assets	2,993.5	4,277.2	5,036.2	4,476.1
Goodwill on consolidation	0.0	0.0	0.0	0.0
Investments	1,652.7	2,697.5	2,697.5	2,697.5
Inventory	4,662.6	5,036.1	4,526.5	4,527.9
Debtors	128.0	124.6	344.2	444.2
Loans and Advances	1,731.3	2,568.8	3,128.3	4,298.0
Cash	133.1	293.2	300.5	769.4
Other Current Assets	664.6	666.0	666.0	666.0
Total Current Assets	7,319.6	8,688.6	8,965.7	10,705.5
Creditors	1,115.0	2,393.4	2,393.4	2,393.4
Provisions	0.8	0.8	0.8	0.8
Net Current Assets	6,203.7	6,294.4	6,571.4	8,311.3
Deferred Tax Assets	53.1	2.5	2.5	2.5
Total Assets	12,019	15,666	16,702	17,882

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	FY21E	FY22	FY23E	FY24E
Per share data (₹)				
EPS	20.3	28.8	32.5	40.4
Cash EPS	21.5	29.9	35.3	44.6
BV	257.7	286.5	315.0	347.4
Operating profit per share	30.5	36.0	45.3	65.2
Cash Per Share	3.7	8.1	8.3	21.2
Operating Ratios (%)				
EBITDA Margin	48.7	43.9	42.8	44.8
PBT / Net Sales	44.9	41.4	36.4	39.1
PAT Margin	35.9	30.0	26.9	28.9
Inventory days	829	682	475	346
Debtor days	23	17	36	34
Creditor days	198	324	251	183
Return Ratios (%)				
RoE	7.9	7.8	8.2	10.9
RoCE	9.1	9.0	10.0	13.2
RoIC	13.5	16.4	16.5	18.5
Valuation Ratios (x)				
P/E	42.2	29.8	26.4	21.2
EV / EBITDA	28.8	24.5	19.5	13.3
EV / Net Sales	14.1	10.8	8.3	6.0
Market Cap / Sales	14.2	10.8	8.4	6.1
Price to Book Value	3.3	3.0	2.7	2.5
Solvency Ratios (x)				
Debt / EBITDA	1.5	2.4	1.9	1.3
Debt / Equity	0.2	0.3	0.2	0.2
Current Ratio	6.4	3.5	3.6	4.2
Quick Ratio	2.3	1.4	1.7	2.3

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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