

# Equity Research

January 26, 2021

BSE Sensex: 48348

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## Real Estate

Q3FY21 result review and TP change

Target price: Rs645

Target price revision

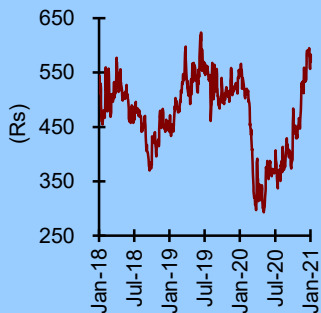
Rs645 from Rs457

### Shareholding pattern

	Jun '20	Sep '20	Dec '20
Promoters	67.7	67.7	67.7
Institutional investors	30.6	30.1	30.0
MFs and other	4.2	4.5	4.2
FIs/Banks	0.2	0.2	0.2
FIIIs	26.2	25.4	25.6
Others	1.7	2.2	2.3

Source: NSE

### Price chart



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# INDIA



## Oberoi Realty

### BUY

### Maintain

### Rs551

### All eyes on upcoming launches

OBER recorded its highest ever quarterly sales bookings in five years at Rs9.7bn driven by a broad-based uptick in all its key completed/nearing completion projects. With clarity on FSI norms emerging under the Unified DCR for Maharashtra (ex-Mumbai city/suburbs) and overall revival in market sentiment in Mumbai, OBER is targeting launches spread across 4-5msf in Q4FY21 (1msf in Thane and balance area in Goregaon and Borivali projects). We expect OBER to clock over Rs30bn of sales bookings each in FY22-23E owing to new launches and completed/near completion inventory in Worli/Mulund/Borivali projects. We retain our BUY rating with a revised target price of Rs645/share (earlier Rs457) assuming higher velocity of sales across projects and assign a 10% premium to NAV considering growth opportunities. Key risks to our call are a decline in demand for residential properties and higher costs owing to rising material prices.

- ▶ **Quarterly sales surge to five year high:** OBER recorded its highest ever quarterly sales bookings in five years at Rs9.7bn vs. Rs3.0bn in Q3FY20 and Rs3.3bn in Q2FY21 driven by a broad-based uptick in all its key completed/nearing completion projects. OBER sold 234 units during the quarter with the Esquire, Goregaon project clocking Rs2.3bn of sales bookings followed by the Borivali and Mulund projects clocking sales of Rs2.9bn and Rs2.3bn, respectively. Collections were also strong at Rs7.4bn with the Worli project clocking Rs2.4bn of collections. OBER also completed the acquisition of 50% stake from its partner in its Ritz Carlton, Worli hotel during the quarter for Rs2.5bn (accounting for JV adjustments). The hotel was valued at an EV of Rs10.4bn (Rs47mn/key). Retail consumption at OBER's Goregaon mall has seen a strong QoQ uptick with few retailers crossing pre-Covid consumption levels.
- ▶ **All eyes on upcoming launches from Q4FY21:** With clarity on FSI norms emerging under the Unified DCR for Maharashtra (ex-Mumbai city/suburbs) and overall revival in market sentiment in Mumbai, OBER is targeting launches spread across 4-5msf in Q4FY21 (1msf in Thane and balance area in Goregaon and Borivali projects). While exact phasing and pricing of these projects are awaited, these upcoming launches along with completion of 360 West Worli project and near completion inventory in Mulund and Borivali is expected to drive the sales momentum over the next 12-18 months. We expect OBER to clock over Rs30bn of sales bookings each in FY22-23E.
- ▶ **Potential platform deal for annuity assets yet to fructify:** OBER's management highlighted that company's talks with a strategic investor to dilute stake in its office and mall annuity assets is yet to fructify owing to gap in valuation expectations. OBER currently has seven annuity assets which includes four office properties (three in Goregaon - two completed and one under construction) and upcoming Worli office and three malls (operational Oberoi Mall in Goregaon, under construction Borivali mall and upcoming Worli mall) along with two hotels in Worli and Goregaon.

Market Cap	Rs200bn/US\$2.7bn	Year to Mar	FY20	FY21E	FY22E	FY23E
Reuters/Bloomberg	OEBO.BO / OBER IN	Revenue (Rs bn)	22.4	20.0	28.1	28.2
Shares Outstanding (mn)	363.6	Rec. Net Income (Rs bn)	6.9	6.1	9.6	9.2
52-week Range (Rs)	595/293	EPS (Rs)	19.0	16.8	26.4	25.2
Free Float (%)	33.3	% Chg YoY	(15.6)	(11.7)	57.6	(4.5)
FII (%)	25.6	P/E (x)	29.1	32.9	20.9	21.9
Daily Volume (US\$/'000)	3,725	P/B (x)	2.3	2.2	2.0	1.8
Absolute Return 3m (%)	20.5	EV/E (x)	20.1	24.4	20.3	18.3
Absolute Return 12m (%)	(2.5)	Dividend yield (%)	0.4	-	-	-
Sensex Return 3m (%)	18.9	RoCE (%)	16.0	11.0	11.8	11.7
Sensex Return 12m (%)	17.6	RoE (%)	8.2	5.6	6.3	6.3

Please refer to important disclosures at the end of this report

**Table 1: Q3FY21 consolidated result snapshot**

(Rs mn)	Q3FY21	Q3FY20	Q2FY21	YoY (%)	QoQ (%)
<b>Total Operating income</b>	<b>8,284</b>	<b>5,274</b>	<b>3,161</b>	<b>57.1</b>	<b>162.1</b>
Raw Materials	3,736	2,615	1,075	42.9	247.4
Personnel Cost	147	156	101	(5.7)	45.4
Other Expenses	576	204	119	182.7	384.0
<b>Total Expenses</b>	<b>4,459</b>	<b>2,975</b>	<b>1,296</b>	<b>49.9</b>	<b>244.2</b>
<b>EBITDA</b>	<b>3,825</b>	<b>2,299</b>	<b>1,865</b>	<b>66.3</b>	<b>105.1</b>
<i>EBITDA margin (%)</i>	<i>46.2</i>	<i>43.6</i>	<i>59.0</i>	<i>257.6</i>	<i>(1,283.4)</i>
Interest (Net)	202	199	182	1.3	10.6
Depreciation	103	113	103	(8.3)	0.6
Other Income	92	91	92	0.7	(0.7)
<b>Profit Before Tax</b>	<b>3,611</b>	<b>2,078</b>	<b>1,672</b>	<b>73.8</b>	<b>116.0</b>
Taxation	743	615	311	21.0	139.3
<b>Profit After Tax before MI/Associate</b>	<b>2,868</b>	<b>1,464</b>	<b>1,361</b>	<b>95.9</b>	<b>110.7</b>
MI/Associate share	(2)	19	16		
<b>Reported PAT</b>	<b>2,867</b>	<b>1,482</b>	<b>1,377</b>	<b>93.4</b>	<b>108.1</b>
<i>Net margin (%)</i>	<i>34.6</i>	<i>28.1</i>	<i>43.6</i>	<i>649.6</i>	<i>(897.8)</i>

Source: Company data, I-Sec research, \*as per INDAS 115 hence not comparable on YoY/ QoQ basis

**Table 2: Quarterly sales volume trends**

Quarterly Sales Performance	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q2FY21	Q3FY21
<b>Project sales – mn sq ft</b>							
Oberoi Esquire	0.05	0.06	0.02	0.03	0.02	0.01	0.11
Oberoi Exquisite	-	-	-	0.02	0.01	0.02	0.01
Oasis Residential, Worli	0.02	-	0.04	0.01	-	0.02	0.02
Priviera, Khar	-	-	-	-	-	-	-
Oberoi Prisma, JVLR	-	0.01	0.01	0.00	0.01	-	-
Oberoi Maxima, JVLR	-	-	-	0.01	0.01	-	0.04
Eternia, Mulund	0.01	0.02	0.02	0.01	0.02	0.01	0.05
Enigma, Mulund	0.01	0.02	0.01	0.01	0.01	0.02	0.10
Sky City, Borivali	0.05	0.12	0.05	0.06	0.05	0.04	0.17
<b>Total</b>	<b>0.14</b>	<b>0.24</b>	<b>0.14</b>	<b>0.15</b>	<b>0.13</b>	<b>0.13</b>	<b>0.51</b>
<b>Sales value - Rs mn</b>							
Oberoi Esquire	978	1,241	414	593	420	301	2,341
Oberoi Exquisite	-	-	-	355	130	677	270
Oasis Residential, Worli	613	115	1,502	543	176	1,267	1,212
Priviera, Khar	-	-	-	-	-	-	-
Oberoi Prisma, JVLR	-	164	194	51	160	-	-
Oberoi Maxima, JVLR	-	-	-	219	147	-	611
Eternia, Mulund	148	271	236	171	337	25	768
Enigma, Mulund	175	343	158	98	190	403	1,572
Sky City, Borivali	839	1,877	725	1,004	743	600	2,933
<b>Total</b>	<b>3,191</b>	<b>4,011</b>	<b>3,228</b>	<b>3,033</b>	<b>2,303</b>	<b>3,273</b>	<b>9,708</b>

Source: Company data, I-Sec research, \*Q1FY1 was a washout quarter and not represented in this table

**Table 3: Key assumptions**

(Rs mn)	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
<b>Development properties</b>							
Area sold (mn sq ft)	0.6	0.6	0.8	0.7	1.4	2.4	1.9
Average rate (Rs per sq ft)	26,973	23,816	21,362	19,053	15,547	13,587	16,005
Sales value (Rs mn)	15,243	13,099	17,517	12,575	21,041	32,753	29,873
<b>Rental income</b>							
Average rental (Rs psf/month)	149	152	183	185	159	164	170
Rental income (Rs mn)	1,707	2,039	2,759	3,158	2,624	3,432	4,941

Source: Company data, I-Sec research

Table 4: SoTP valuation

Project	Saleable Area (msf)	FY21E GAV (Rs mn)	Value (Rs/share)	% of GAV
<b>Devco:</b>				
Goregaon	7.7	15,713	43	6.9
JVLR	2.6	3,358	9	1.5
Worli - residential	0.5	12,050	33	5.3
Borivali	5.0	29,731	82	13.0
Mulund	3.2	9,200	25	4.0
Thane	9.0	19,218	53	8.4
<b>Total Devco</b>	<b>28.0</b>	<b>89,270</b>	<b>246</b>	<b>39.1</b>
<b>Rentco/Hotels:</b>				
Commerz-Phase I	0.4	4,563	13	2.0
Commerz II - Phase I	0.7	15,448	43	6.8
Commerz II - Phase II	2.8	48,941	135	21.4
Oberoi Mall	0.6	23,445	65	10.3
Worli Glaxo Mall – OBER share	0.5	10,000	28	4.4
Borivali Mall	1.0	18,223	50	8.0
Westin Hotel	0.4	3,692	10	1.6
Worli Hotel	0.3	10,000	28	4.4
<b>Total Rentco/Hotels</b>	<b>6.6</b>	<b>134,311</b>	<b>370</b>	<b>58.8</b>
Social Infra	2.0	3,134	9	1.4
Other assets		1,785	5	0.8
<b>Total GAV</b>		<b>228,500</b>	<b>629</b>	<b>100.0</b>
Less: net debt as on FY21		15,500	43	
<b>FY21E NAV</b>		<b>213,000</b>	<b>586</b>	
Add: 10% premium to NAV		21,300	59	
<b>Target Price</b>		<b>234,300</b>	<b>645</b>	

Source: Company data, I-Sec research

## Financial summary (Consolidated)

**Table 5: Earning statement**
*(Rs mn, year ending March 31)*

	FY20	FY21E	FY22E	FY23E
<b>Net Sales</b>	<b>22,376</b>	<b>19,995</b>	<b>28,065</b>	<b>28,165</b>
<b>Operating Expenses</b>	<b>11,891</b>	<b>11,415</b>	<b>17,505</b>	<b>16,405</b>
<b>EBITDA</b>	<b>10,485</b>	<b>8,580</b>	<b>10,560</b>	<b>11,760</b>
% margins	46.9%	42.9%	37.6%	41.8%
Depreciation & Amortisation	449	576	720	720
Gross Interest	885	1,076	1,328	1,705
Other Income	478	502	527	554
<b>Recurring PBT</b>	<b>9,630</b>	<b>7,431</b>	<b>9,039</b>	<b>9,889</b>
Less: Taxes	2,796	2,452	2,983	3,263
<b>PAT before</b>				
<b>Minority/Associate</b>	<b>6,834</b>	<b>4,979</b>	<b>6,056</b>	<b>6,626</b>
Minority/Associate share	59	1,107	3,536	2,536
<b>Net Income (Reported)</b>	<b>6,893</b>	<b>6,085</b>	<b>9,592</b>	<b>9,162</b>

Source: Company data I-Sec research

**Table 6: Balance sheet**
*(Rs mn, year ending March 31)*

	FY20	FY21E	FY22E	FY23E
<b>Assets</b>				
Total Current Assets	74,632	78,669	87,582	94,464
of which cash & cash eqv.	1,083	6,162	4,178	4,801
Total Current Liabilities & Provisions	15,128	18,178	18,478	18,778
<b>Net Current Assets</b>	<b>59,505</b>	<b>60,492</b>	<b>69,105</b>	<b>75,687</b>
Goodwill/Investments	24,086	24,086	24,086	24,086
Net Fixed Assets	10,446	9,870	9,150	8,429
Capital Work-in-Progress	3,049	10,969	16,169	19,969
<b>Total Assets</b>	<b>97,086</b>	<b>1,05,418</b>	<b>1,18,510</b>	<b>1,28,172</b>
<b>Liabilities</b>				
Borrowings	11,439	14,939	18,439	18,939
Deferred Tax Liabilities	-648	-648	-648	-648
Equity Share Capital	<b>3,636</b>	<b>3,636</b>	<b>3,636</b>	<b>3,636</b>
Reserves & Surplus*	<b>82,659</b>	<b>87,490</b>	<b>97,082</b>	<b>1,06,244</b>
<b>Net Worth</b>	<b>86,295</b>	<b>91,126</b>	<b>1,00,718</b>	<b>1,09,880</b>
<b>Total Liabilities</b>	<b>97,086</b>	<b>1,05,418</b>	<b>1,18,510</b>	<b>1,28,172</b>

Source: Company data I-Sec research

**Table 7: Cashflow statement**
*(Rs mn, year ending March 31)*

	FY20	FY21E	FY22E	FY23E
<b>Net Profit before tax</b>	<b>9,630</b>	<b>7,431</b>	<b>9,039</b>	<b>9,889</b>
Depreciation	449	576	720	720
Non-Cash Adjustments	0	0	0	0
Working Capital Changes	-11,204	3,993	-9,344	-6,185
Taxes Paid	-2,796	-2,452	-2,983	-3,263
<b>Operating Cashflow</b>	<b>-3,921</b>	<b>9,548</b>	<b>-2,568</b>	<b>1,161</b>
Capital Commitments	-2,257	-4,920	-5,200	-3,800
<b>Free Cashflow</b>	<b>-6,178</b>	<b>4,628</b>	<b>-7,768</b>	<b>-2,639</b>
Other investing cashflow	3,386	0	0	0
<b>Cashflow from Investing Activities</b>	<b>1,130</b>	<b>-4,920</b>	<b>-5,200</b>	<b>-3,800</b>
Issue of Share Capital	-3,750	0	0	0
Inc (Dec) in Borrowings	3,242	3,500	3,500	500
Dividend paid	-877	0	0	0
<b>Cashflow from Financing activities</b>	<b>-1,384</b>	<b>3,500</b>	<b>3,500</b>	<b>500</b>
<b>Chg. in Cash &amp; Bank balances</b>	<b>-4,176</b>	<b>8,128</b>	<b>-4,268</b>	<b>-2,139</b>

Source: Company data I-Sec research

**Table 8: Key ratios**
*(Year ending March 31)*

	FY20	FY21E	FY22E	FY23E
<b>Per Share Data (Rs)</b>				
EPS	19.0	16.8	26.4	25.2
Cash EPS	20.2	18.3	28.4	27.2
Dividend per share (DPS)	2.4	0.0	0.0	0.0
Book Value per share (BV)	237.6	250.9	277.3	302.5
<b>Growth (%)</b>				
Net Sales	(13.4)	(10.6)	40.4	0.4
EBITDA	(9.2)	(18.2)	23.1	11.4
PAT	(15.6)	(11.7)	57.6	(4.5)
<b>Valuation Ratios (x)</b>				
P/E	29.1	32.9	20.9	21.9
P/BV	2.3	2.2	2.0	1.8
EV / EBITDA	20.1	24.4	20.3	18.3
EV / Sales	9.4	10.5	7.7	7.6
<b>Operating Ratios</b>				
Debt/EBITDA (x)	1.1	1.7	1.7	1.6
Net D/E	0.1	0.1	0.1	0.1
<b>Return Ratios (%)</b>				
RoE	8.2	5.6	6.3	6.3
RoCE	16.0	11.0	11.8	11.7
EBITDA Margins	46.9	42.9	37.6	41.8
Net Income Margins	30.8	30.4	34.2	32.5

Source: Company data I-Sec research

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