

All-time high sales volume driven by new launches!

Oberoi Realty's (ORL) Q4FY21 sales volume at 1.06 million sq feet (msf), was an all-time high, up a staggering ~7.3x YoY on a depressed base of Q4FY20 and strong 103% QoQ growth, driven by new launches. On the financials front, reported revenues grew 28.4% YoY to ₹ 790.1 crore. The reported growth was led by residential segment revenue recognition, which was at ₹ 682 crore, up ~41% YoY, owing to healthy sale of complete/near complete projects like Esquire, Enigma and Sky City that translated to high revenue recognition. EBITDA at ₹ 373.5 crore was only up 0.8% YoY as the base quarter had lower cost recognition. Reported EBITDA margins, thus were down ~13 percentage points YoY (up 110 bps QoQ) to 47.3%. Reported PAT was at ₹ 286.9 crore, (up 14.3% YoY), with growth being lower than topline owing to margins decline.

Strong sales volume driven by new launches

The company reported highest ever sales volume of 1.06 msf (up 7.3x YoY on a depressed base of Q4FY20 and strong 103% QoQ growth). The sales value was up 8.2x YoY, 2x QoQ at ₹ 1957 crore (gross value ₹ 2050 crore). The sales volume was largely driven by new launches – new Goregaon tower named Elysian, which clocked sales volume of 0.53 msf (~50% of overall sales volume of the quarter) and launch of sixth tower in Borivali project (Borivali contributed 0.26 msf (~25% of sales volume). ORL is currently at the designing stage to launch newer projects for Thane and Worli locations (GSK Land has now been converted into residential). Additionally, the management is contemplating launching one more tower in Elysian project and subsequent phase of Borivali in FY22. On a healthy base of 1.7 msf sales volume in FY21, we bake in 1.9 msf, 2.3 msf volumes in FY22E, FY23E, respectively, with Borivali, Thane, Goregaon volumes traction driving the same. We have not baked in GSK estimates given the lack of details.

Hospitality/retail, commercial remain muted

ORL's commercial, retail and hotel performance remained muted amid Covid. Westin Mumbai Garden City project revenue declined 58.8% YoY to ₹ 12.2 crore, with 63.7% YoY decline in average room rate to ₹ 2.28) and decline in occupancy level at 44.2%. Rental revenues (from mall and office assets) were at ₹ 81.8 crore, down 8% YoY. We expect this segment to remain muted in FY22 impacted by second wave of Covid. Expected completion dates for under-construction rental projects are a) Commerz III – staggered delivery by the end of FY23, and b) Borivali Mall – Q3, 2023.

Valuation & Outlook

ORL's strong sales volume continued to surprise, more so the new launches traction. While Q1FY22 will be a washout, we expect sales momentum in FY22 to be as robust as FY21, driven by new launches in Thane, GSK Project and subsequent phases of Borivali/Goregaon. Thus, we maintain **BUY** rating on the stock with a revised target price of ₹ 640/share (earlier ₹ 635).



Particulars

Particular	₹ crore
Market Capitalization	19,347.2
Total Debt (FY21)	1,533.8
Cash (FY21)	133.1
EV	20,747.9
52 week H/L (₹)	628 / 290
Equity capital	363.6
Face value (₹)	10.0

Key Highlights

- Q4FY21 sales volume at 1.06 msf was at an all-time high, up staggering 7.3x YoY on depressed base of Q4FY20 and strong 103% QoQ growth, driven by new project launches
- Maintain BUY with revised target price of ₹ 640 (earlier ₹ 635)

Key Risks to our call

- Any slowdown in sales volume of residential segment
- Delay in completion/leasing offtake at commercial assets

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Key Financial Summary

₹ crore	FY19	FY20	FY21	FY22E	FY23E	CAGR FY21-23E
Net Sales	2582.5	2237.6	2052.6	2857.4	3053.7	22.0%
EBITDA	1155.4	1048.0	1000.4	1386.5	1394.1	18.1%
EBITDA Margin (%)	44.7	46.8	48.7	48.5	45.7	
Net Profit	816.9	689.3	739.3	928.2	989.0	15.7%
EPS (₹)	22.5	19.0	20.3	25.5	27.2	
P/E (x)	23.7	28.1	26.2	20.8	19.6	
EV/EBITDA (x)	15.2	17.1	19.1	13.6	13.6	
RoE (%)	10.1	7.9	7.9	9.2	9.1	
RoCE (%)	12.4	10.8	9.1	11.7	11.7	

Exhibit 1: Variance Analysis

	Q4FY21	Q4FY21E	Q4FY20	YoY (Chg %)	Q3FY21	QoQ (Chg %)	Comments
Income from Operation	790.1	941.7	615.5	28.4	828.4	-4.6	Among the major segment, revenue from projects/ rent/ hospitality has grown by 28.4%/ declined by 8% and 59% respectively on YoY basis to ₹ 790.1 crore/ ₹ 81.8 crore/ ₹ 12 crore, respectively.
Other Income	10.8	10.0	10.2	5.5	9.2	17.8	
Operating Cost	369.4	423.8	210.9	75.1	373.6	-1.1	
Employee cost	12.5	37.7	14.0	-10.8	14.7	-15.1	
Other expenditure	34.7	47.1	20.1	73.0	57.6	-39.7	
EBITDA	373.5	433.2	370.5	0.8	382.5	-2.3	
EBITDA Margin (%)	47.3	46.0	60.2	-1292 bps	46.2	110 bps	
Depreciation	10.0	10.3	11.2	-10.5	10.3	-3.2	
Interest	19.7	20.2	20.1	-1.9	20.2	-2.1	
PBT	354.5	412.7	349.4	1.5	361.1	-1.8	
Taxes	68.0	103.2	99.8	-31.9	74.3	-8.5	
PAT	286.9	311.0	251.0	14.3	286.7	0.1	

Key Metrics

Sales Volume (in sq ft)	10,63,152	1,27,459	734.1	5,10,383	108.3
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Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY20		FY21		FY21E		FY22E		
	Old	New	Old	New	Old	New	Old	New	
Revenue	2237.6	2052.6	2985.7	2857.4	-31.3	3206.9	3053.7	-10.9	Lower estimates given the slower execution due to Covid
EBITDA	1048.0	1000.4	1439.0	1386.5	-30.5	1514.5	1394.1	-8.5	
EBITDA Margin (%)	46.8	48.7	48.2	48.5	54 bps	47.2	45.7	130 bps	
PAT	689.3	739.3	1007.9	928.2	-26.7	1096.8	989.0	-15.4	
EPS (₹)	19.0	20.3	27.7	25.5	-26.7	30.2	27.2	-15.4	

Source: Company, ICICI Direct Research

Conference Call Highlights

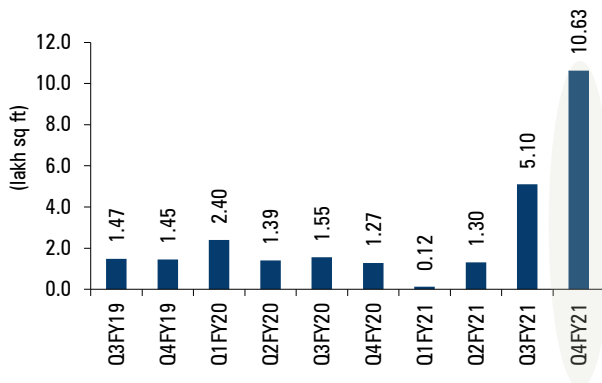
- Investment properties performance:** Oberoi Mall's revenue declined 24.3% YoY to ₹ 30.2 crore in Q4FY21 with lower occupancy at 93.5%. Similarly, performance for the Westin Mumbai Garden City project (revenue declined 58.8% YoY to ₹ 12.2 crore) was impacted with 63.7% YoY decline in average room rate (to ₹ 2,285) and decline in occupancy level (to 44.2%). For Commerz-II, the occupancy level during Q4FY21 was at 97.4% (down 261 bps YoY; flat QoQ) while rental rate declined to ₹ 133/sq ft per month (vs. ₹ 137/sq ft per month in Q4FY20; ₹ 148/sq ft per month in Q3FY21). Lower occupancy, rental rate in Commerz-II translated to 8% fall in revenue (to ₹ 29.5 crore) and 327 bps drop in EBITDA margin (to 91.3%). However, Commerz-I revenues improved 52.1% YoY to ₹ 6.7 crore with increase in occupancy level to 45.6%. The management expects the occupancy in Commerz-I to improve in the medium term with uptick in demand for office space arising post Covid period
- Development properties performance:** Exquisite project has registered 14,710 sq ft, 15,05,096 sq ft of bookings during Q4FY21, till date while total booking value was at ₹ 36 crore, ₹ 2,530.3 crore respectively. For Esquire, 64,416 sq ft, 19,14,120 sq ft of area was booked during Q4FY21, till date, respectively. Total booking value in Q4FY21, till date was at ₹ 148.2 crore, ₹ 3,250.0 crore, respectively. Both projects are 100% completed. In the Maxima Project, 43,498 sq ft, 1,03,077 sq ft area was booked in Q4FY21, till date, respectively, while total booking value in the project was at ₹ 66.6 crore for Q4FY21, ₹ 164.5 crore till date. Similarly, in the Eternia and Enigma Project, total area booked during Q4FY21 was at 45,360 sq ft, 97,891 sq ft, respectively, with booking value of ₹ 69.4 crore, ₹ 153.3 crore, respectively. For the Sky City project, the project attracted bookings of 2,55,527 sq ft during Q4FY21 with value of ₹ 443.9 crore. During Q4FY21, the company started booking for new project: Elysian and sixth tower of Three Sixty West. Total area booked in the Elysian and Three Sixty West Project during Q4FY21 was at 5,32,188 sq ft, 9,562 sq ft, respectively, with booking value of ₹ 991 crore, ₹ 48.4 crore, respectively

Other Highlights:

- Sales for ORL has been impacted during April 2021 and May 2021 mainly due to lockdown-like situation in Maharashtra. However, the management expects a pick-up in sales post lockdown period with potential demand and launches planned. Additionally, construction pace has been impacted in most of the projects mainly due to unavailability of desired labour owing to second wave of Covid-19
- ORL is currently at the designing stage to launch newer projects for Thane and Worli locations. The management is optimistic of launching Thane project by October 2021. Additionally, the management is contemplating launching one more tower in Elysian project by October 2021
- ORL has not hiked/discounted prices to achieve better sales growth during Q4FY21. The better realisation for most projects was mainly due to better floor mix
- ORL is looking at an opportunity to acquire land parcels at prime locations, which would aid the company in future developmental growth

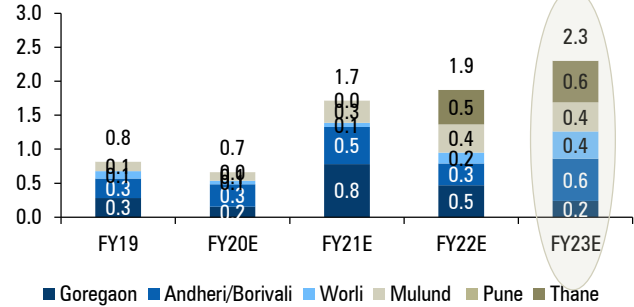
Company Analysis

Exhibit 3: Quarterly sales volumes trend



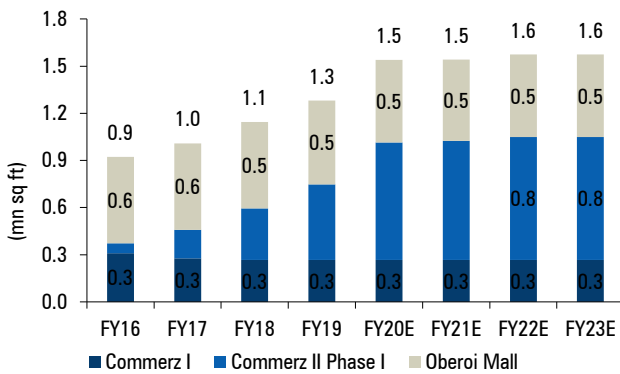
Source: Company, ICICI Direct Research

Exhibit 4: Sales volumes to improve from here on



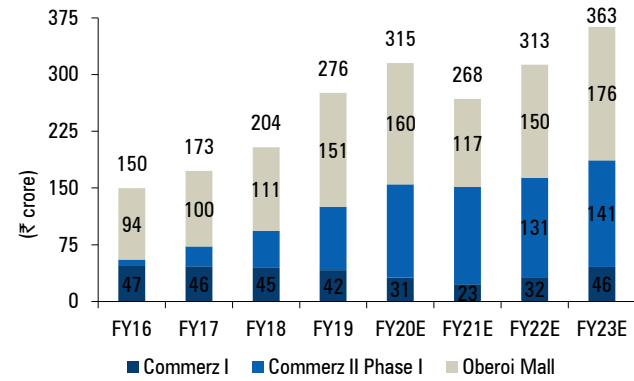
Source: Company, ICICI Direct Research

Exhibit 5: Leasing trend



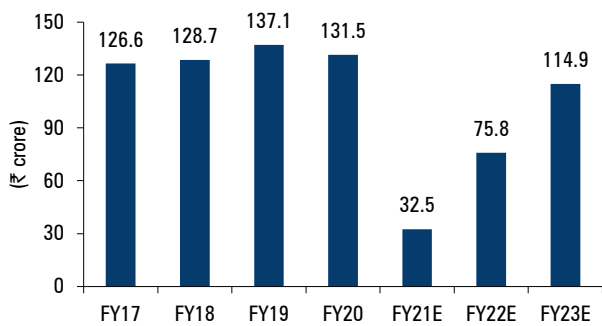
Source: Company, ICICI Direct Research

Exhibit 6: Leasing revenues trend



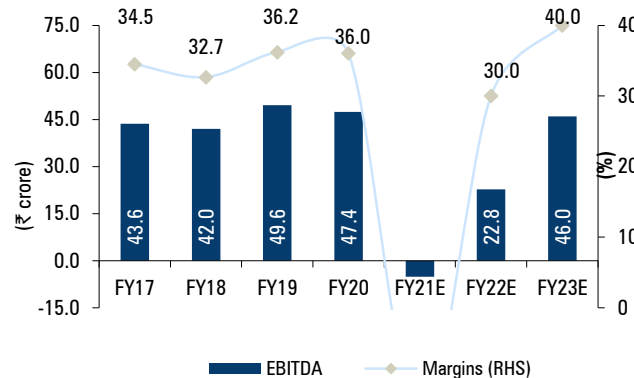
Source: Company, ICICI Direct Research

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	Q4FY21	Q3FY21	Q2FY21	Q1FY21	Q4FY20
Area Booked (sq ft)					
Oberoi Esquire	64416	106579	14079	7191	20361
Oberoi Exquisite	14710	11620	29305	-	5895
Three Sixty West	9526	24614	24611	-	1860
Maxima	43498	36637	-	-	9139
Prisma	-	-	-	-	7806
Eternia	45360	52570	1670	-	22270
Enigma	97891	103688	24533	3411	13644
Sky City	255527	174675	36038	1706	46484
Elysian	5,32,188				
Total	10,63,152	5,10,383	1,30,236	12,308	1,27,459
Sales Value (₹ crore)					
Oberoi Esquire	148.2	234.1	30.1	16.7	42.0
Oberoi Exquisite	36.0	27.0	67.7		13.0
Three Sixty West	48.4	121.3	126.7		17.6
Maxima	66.6	61.1	0.0	7.0	14.7
Prisma	-	-	-		16.0
Eternia	69.4	76.8	2.5		33.7
Enigma	153.3	157.2	40.3	5.5	19.0
Sky City	443.9	293.3	60.0	2.0	74.3
Elysian	991.02				
Avg. Realization for the quarter (₹/sq ft)					
Oberoi Esquire	23,011	21,968	21,372	23,154	20,618
Oberoi Exquisite	24,439	23,270	23,088		22,087
Three Sixty West	50,777	49,277	51,481		94,839
Maxima	15,313	16,688			16,107
Prisma					20,471
Eternia	15,300	14,603	15,090		15,123
Enigma	15,664	15,160	16,406	16,124	13,889
Sky City	17,373	16,789	16,660	11,547	15,984
Elysian	18,622				
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	*	*	*	*	*
Maxima	52.0	*	*	*	*
Prisma	100.0	100.0	100.0	100.0	100.0
Eternia	66.0	68.0	67.0	65.0	64.0
Enigma	62.0	66.0	64.0	63.0	62.0
Sky City	79.0	75.0	74.0	72.0	72.0
Elysian	*				
Inventory as on Date (sq ft)					
Oberoi Esquire	207911	272327	378906	392985	400176
Oberoi Exquisite	42514	57224	68844	98149	98149
Three Sixty West	1621812	1631374	1655988	1680600	1680600
Maxima	307518	351016	387653	387653	387653
Prisma	9171	9171	9171	9171	9171
Eternia#	1389790	1044690	1097260	1098930	1098930
Enigma#	1331674	1150034	1253722	1278255	1281666
Sky City#	1308817	794848	969523	1005561	1007267
Splendor	643362				

Source: Company, ICICI Direct Research

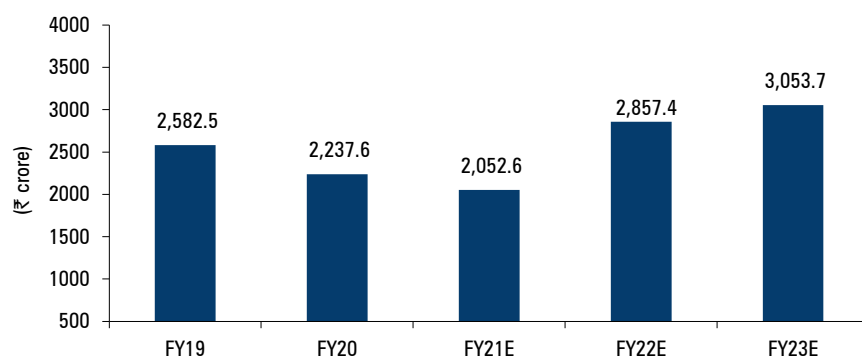
Exhibit 10: Operational trend in Oberoi's rental and hospitality portfolio

	Q4FY21	Q3FY21	Q2FY21	Q1FY21	Q4FY20
Oberoi Mall (Retail Property)					
Operating Revenue (₹ crore)	30.2	49.9	35.0	1.5	39.8
EBITDA margin (%)	25.2	97.1	94.8	31.2	94.8
Occupancy (%)	93.5	93.4	93.6	95.0	95.0
Realisation (₹/sqft/month)	NA	NA	NA	NA	253
Commerz I (Commercial Space)					
Operating Revenue (₹ crore)	6.7	6.1	5.5	4.4	4.4
EBITDA margin(%)	73.1	92.1	88.9	86.7	86.7
Occupancy (%)	45.6	41.6	33.6	33.6	25.6
Realisation (₹/sqft/month)	140	149	143	140	145
Commerz II Phase I (Commercial Space)					
Operating Revenue (₹ crore)	29.5	33.8	32.6	32.6	32.2
EBITDA margin(%)	91.3	98.0	87.6	98.8	94.6
Occupancy (%)	97.4	93.4	97.4	100.0	100.0
Realisation (₹/sqft/month)	133	148	142	139	137
The Westin Mumbai Garden City (Hospitality)					
Operating Revenue (₹ crore)	12.2	11.3	6.6	2.5	29.6
EBITDA margin(%)	0.4	-0.7	-9.8	-194.9	30.6
Average Room Rate (₹)	5260	5669	4775	7426	9771
Occupancy (%)	44.2	37.0	40.5	7.2	62.2
RevPAR (₹)	2285	1957	1622	459	6290

Source: Company, ICICI Direct Research

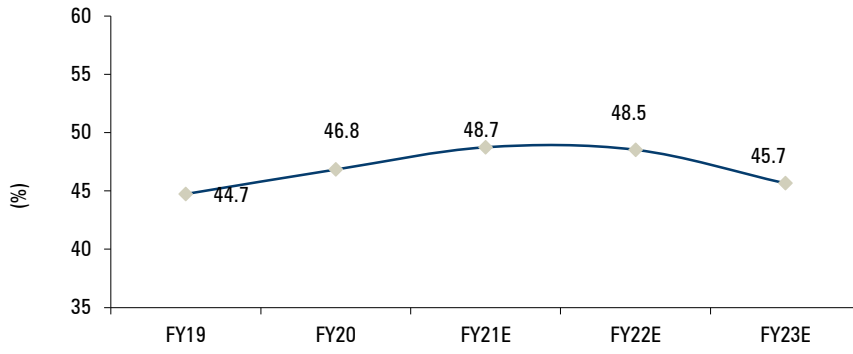
Financial story in charts

Exhibit 11: Revenue trend



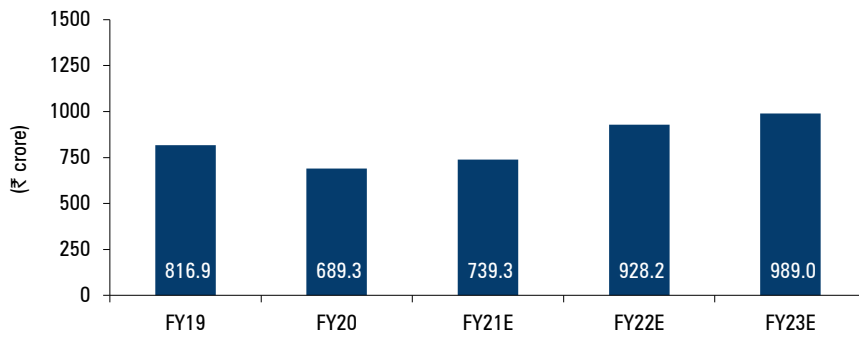
Source: Company, ICICI Direct Research

Exhibit 12: EBITDA margin trend



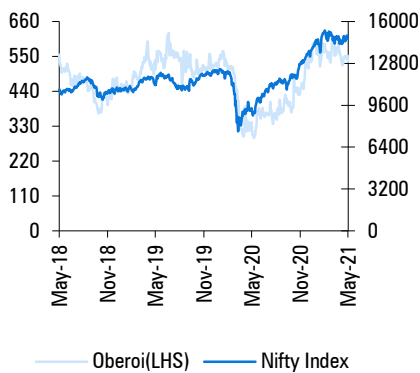
Source: Company, ICICI Direct Research

Exhibit 13: PAT trend



Source: Company, ICICI Direct Research

Exhibit 14: Price Performance



Source: Company, ICICI Direct Research

Valuation & Outlook

ORL's strong sales volume continued to surprise, more so the new launches traction. While Q1FY22 will be washout, we expect sales momentum in FY22 to be as robust as FY21, driven by new launches in Thane, GSK Project and subsequent phases of Borivali/Goregaon. Thus, we maintain **BUY** with a revised target price of ₹ 640/share.

Exhibit 15: Valuation

Location	Type	Status	NAV	NAV Multiple	Value (₹ cr)	₹/share
Goregaon			9,965.3		9,965.3	274.1
Oberoi Mall	Retail	Completed	2,161.9	1.0	2,161.9	59.5
Commerz I	Commercial	Completed	360.7	1.0	360.7	9.9
Westin	Hotel	Completed	341.3	1.0	341.3	9.4
Exquisite I	Residential	Ongoing	211.0	1.0	211.0	5.8
Esquire	Residential	Ongoing	588.3	1.0	588.3	16.2
Commerz II Phase I	Commercial	Ongoing	1,447.9	1.0	1,447.9	39.8
Elysian	Residential	Ongoing	739.2	1.0	739.2	20.3
Commerz II Phase II	Commercial	Planned	4,003.1	1.0	4,003.1	110.1
Oberoi International school	Social Infrastructure	Ongoing				
Education complex		Planned	111.9	1.0	111.9	3.1
Hospital		Planned				
Andheri/Borivali			5,418.4		5,418.4	149.0
Oberoi Maxima	Residential	Ongoing	199.1	1.0	199.1	5.5
Oberoi Prisma	Residential	Ongoing	-	1.0	-	-
Oberoi Splendour IT park	Commercial	Planned	79.6	1.0	79.6	2.2
Oberoi Splendour school	Social Infrastructure	Planned	14.7	1.0	14.7	0.4
Borivali	Residential	Ongoing	2,858.9	1.0	2,858.9	78.6
Borivali	Mall	Planned	2,266.1	1.0	2,266.1	62.3
Worli			3,044.4		1,825.0	50.2
Oasis Residential	Residential	Ongoing	1,135.5	1.0	1,135.5	31.2
Oasis Hospitality	Hotel	Ongoing	689.5	1.0	689.5	19.0
Thane	Residential	Planned	2,391.1	1.0	2,391.1	65.8
Mulund			2,404.2		2,404.2	66.1
Eternia	Residential	Ongoing	1,471.4	1.0	1,471.4	40.5
Enigma	Residential	Ongoing	837.9	1.0	837.9	23.0
Mulund Commercial	Commercial	Planned	94.9	1.0	94.9	2.6
Pune			102.3		-	-
Sangam city - Residential	Residential	Planned	39.0	-	-	-
Sangam city - Commercial	Commercial	Planned	33.7	-	-	-
Sangam city - Retail	Retail	Planned	29.7	-	-	-
Net cash/ (Debt)			1,209.5	1.0	1,209.5	33.3
Total			24,535.1	0.9	23,213	638
Rounded off Target price						640

Source: Company, ICICI Direct Research

Financial summary

Exhibit 16: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Net Sales	2,237.6	2,052.6	2,857.4	3,053.7
Other Operating Income	0.0	0.0	0.0	0.0
Total Operating Income	2,237.6	2,052.6	2,857.4	3,053.7
Growth (%)	-13.4	-8.3	39.2	6.9
Operating Costs	1,035.7	890.8	1,293.4	1,464.4
Employee Expenses	64.2	49.1	54.0	59.4
Other Expenses	89.7	112.2	123.5	135.8
Total Operating Expenditure	1,189.7	1,052.2	1,470.9	1,659.6
EBITDA	1,048.0	1,000.4	1,386.5	1,394.1
Growth (%)	55.2	-13.4	38.6	0.5
Depreciation	44.9	41.2	53.6	103.6
Interest	88.5	76.0	122.7	122.7
Other Income	48.4	38.0	26.4	150.0
PBT	963.0	921.2	1,236.6	1,317.8
Prior Period Adjustments	0.0	0.0	0.0	0.0
Total Tax	279.6	185.1	311.6	332.1
PAT before profit from associates	683.4	736.0	925.0	985.7
Minority Interest	0.0	0.0	0.0	0.0
Profit from associates	5.9	3.3	3.3	3.3
PAT	689.3	739.3	928.2	989.0
EPS (₹)	19.0	20.3	25.5	27.2

Source: Company, ICICI Direct Research

Exhibit 18: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	363.6	363.6	363.6	363.6
Preference Capital	0.0	0.0	0.0	0.0
Reserve and Surplus	8,265.9	9,005.5	9,701.7	10,443.5
Total Shareholders funds	8,629.5	9,369.1	10,065.3	10,807.1
Total Debt	1,143.9	1,533.8	1,533.8	1,533.8
Total Liabilities	11,193	12,019	13,282	14,156
Assets				
Gross Block	1,281.8	1,289.8	1,339.8	2,589.8
Less Accumulated Depreciation	234.8	276.0	329.6	433.2
Net Block	1,047.0	1,013.8	1,010.2	2,156.6
Capital WIP	304.9	1,979.7	2,171.1	1,781.8
Total Fixed Assets	1,352.0	2,993.5	3,181.3	3,938.4
Goodwill on consolidation	0.0	0.0	0.0	0.0
Investments	2,442.3	1,652.7	1,652.7	1,652.7
Inventory	5,317.3	4,662.6	4,448.1	4,415.1
Debtors	115.2	128.0	315.9	375.2
Loans and Advances	1,161.0	1,731.3	2,571.7	2,748.4
Cash	108.3	133.1	395.0	309.0
Other Current Assets	632.1	664.6	664.6	664.6
Total Current Assets	7,334.0	7,319.6	8,395.3	8,512.3
Creditors	1,418.7	1,115.0	1,682.3	1,814.8
Provisions	0.8	0.8	0.8	0.8
Net Current Assets	5,914.4	6,203.7	6,712.1	6,696.7
Deferred Tax Assets	64.8	53.1	53.1	53.1
Total Assets	11,193	12,019	13,282	14,156

Source: Company, ICICI Direct Research

Exhibit 17: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after Tax	689.3	739.3	928.2	989.0
Depreciation	44.9	41.2	53.6	103.6
Interest	88.5	76.0	122.7	122.7
Others	-54.3	-41.3	-29.7	-153.3
Net Increase in Current Assets	-787.8	39.2	-813.8	-203.0
Net Increase in Current Liabilities	-93.9	-303.7	567.3	132.5
Net cf from operating activities	-43.3	550.7	828.4	991.5
(Purchase)/Sale of Fixed Assets	-209.1	-1,682.8	-241.4	-860.7
Others	-54.3	-41.3	-29.7	-153.3
Net cf from Investing Activities	339.5	-840.2	-211.7	-707.5
Inc / (Dec) in Equity Capital	-89.0	0.4	0.0	0.0
Inc / (Dec) in Loan Funds	-441.9	389.9	0.0	0.0
(Payment) of Dividend & Div. Tax	0.0	0.0	-232.1	-247.2
Interest paid	-88.5	-76.0	-122.7	-122.7
Net cf from Financing Activities	-619.4	314.2	-354.8	-370.0
Net Cash flow	-323.2	24.7	261.9	-86.0
Opening Cash/Cash Equivalent	431.5	108.3	133.1	395.0
Closing Cash/ Cash Equivalent	108.3	133.1	395.0	309.0

Source: Company, ICICI Direct Research

Exhibit 19: Key ratios				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	19.0	20.3	25.5	27.2
Cash EPS	20.2	21.5	27.0	30.0
BV	237.3	257.7	276.8	297.2
Operating profit per share	28.8	27.5	38.1	38.3
Cash Per Share	3.0	3.7	10.9	8.5
Operating Ratios (%)				
EBITDA Margin	46.8	48.7	48.5	45.7
PBT / Net Sales	43.0	44.9	43.3	43.2
PAT Margin	30.5	35.9	32.4	32.3
Inventory days	867	829	568	528
Debtor days	19	23	40	45
Creditor days	232	198	215	217
Return Ratios (%)				
RoE	7.9	7.9	9.2	9.1
RoCE	10.8	9.1	11.7	11.7
RoIC	14.6	13.5	18.2	15.1
Valuation Ratios (x)				
P/E	28.1	26.2	20.8	19.6
EV / EBITDA	17.1	19.1	13.6	13.6
EV / Net Sales	8.0	9.3	6.6	6.2
Market Cap / Sales	8.6	9.4	6.8	6.3
Price to Book Value	2.2	2.1	1.9	1.8
Solvency Ratios (x)				
Debt / EBITDA	1.1	1.5	1.1	1.1
Debt / Equity	0.1	0.2	0.2	0.1
Current Ratio	5.1	6.4	4.8	4.5
Quick Ratio	1.3	2.3	2.1	2.1

Source: Company, ICICI Direct Research

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