

# Oberoi Realty Ltd

BUY

CMP Rs527

Target Rs620

Upside 18%

## Result Highlights

- ✓ In Q4FY21, OBER has clocked 1.06msf (108%QoQ/734%YoY) of new bookings which translates in sales of Rs19.6bn (102%QoQ/750%YoY) and collected Rs6.4bn (-13%QoQ/60%YoY). 74% of total sales volume was contributed by newly launched phase of Sky City, Borivali (154units, 0.26msf) and Elysian, Goregaon (154units, 0.53msf).
  - ✓ Oberoi mall operations was affected by the Covid-19 second wave and revenue for Q4FY21 declined to Rs301.5mn (-40%QoQ/-24%YoY) and EBITDA margin dropped by 1365bps on sequential basis to 83% while occupancy remained flat at 93.5%.
  - ✓ Commerz & Commerz II reported the revenues of Rs67.4mn (10%QoQ/52%YoY) and Rs295mn (-13%QoQ/-8%YoY) while reported EBITDA margins declined for both assets to 73% & 91.3% on sequential basis by 1901bps & 669bps. Commerz II witnessed stiff drop in the average rental rate by 10% on sequential basis to Rs133/sft/month
- Hospitality asset turned EBITDA positive with Rs4mn and EBITDA margin of 3.28%. Occupancy (44.2%) & RevPAR (Rs2285) also recovered in Q4FY21.
- ✓ For FY21, OBER reported revenue of Rs20.5bn (-8%YoY), EBITDA Rs10bn (-5%YoY), Adj.PAT Rs7.4bn (7%YoY). EBITDA margin and adjusted profit margin came in at 48.7% & 36% up 190bps & 521bps respectively.
  - ✓ Gross debt/equity at the end of Q4FY21 stands at 0.16x against the 0.18x in FY20.

**Our view:** OBER has done robust sales of 1.72msf in a truncated FY21 on the back of new launches and ongoing projects. We believe OBER will continue to achieve good residential sales as consolidation in the sector further intensifies due of Covid-19 second wave disruption and potential supply constraint. With OBER's strong balance sheet with D/E of 0.16x and healthy cashflow, company is on track to commission its planned annuity assets before FY24. We initiate coverage with 'BUY' rating and target NAV of Rs620/share (WACC 12.4%, Cap rate 9% & 15x FY22 EV/EBITDA).

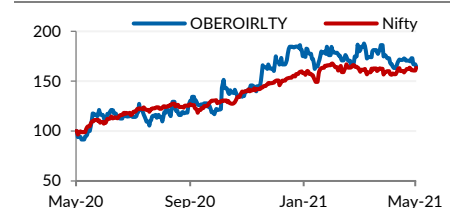
## Exhibit 1: Result table

(Rs mn)	Q4 FY21	Q4 FY20	% yoy	Q3 FY21	% qoq
Net sales	7901	6155	28.4	8284	-4.6
Operating profit	3735	3705	0.8	3825	-2.3
OPM (%)	47.3	60.2	-1292	46.2	110
Depreciation	100	112	-10.5	103	-3.2
Interest	197	201	-1.9	202	-2.1
Other income	108	102	5.5	92	17.8
PBT	3545	3494	1.5	3611	-1.8
Tax	680	998	-31.9	743	-8.5
Effective tax rate (%)	19.2	28.6	-939	20.6	-140
PAT	2865	2496	14.8	2868	-0.1
Minority int / exceptional	3.2	13.6	-76.5	-1.5	
Reported PAT	2869	2510	14.3	2867	0.1
EPS	4.28	4.28	0	3.79	12.9

## Stock data (as on May 17, 2021)

Sensex:	14,923
52 Week h/l (Rs)	628 / 290
Market cap (Rs/USD mn)	193473 / 2642
Outstanding Shares	364
6m Avg t/o (Rs mn):	261
Div yield (%):	N/A
Bloomberg code:	OBER IN
NSE code:	OBEROIRLT

## Stock performance



	1M	3M	1Y
Absolute return	-3.8%	-6.9%	66.4%

## Shareholding pattern (As of Mar'21 end)

Promoter	67.70%
FII+DII	29.72%
Others	2.57%

## Financial Summary

(Rs mn)	FY21	FY22E	FY23E
Revenues	20,526	32,378	35,468
YoY growth (%)	-8	58	10
EBITDA	10004	18430	19884
OPM (%)	48.7	56.9	56.1
EPS (Rs)	20.2	34.1	36.1
EPS growth	7.7	68.5	5.8
P/E (x)	26	15	15
EV/EBITDA (x)	18.9	10.4	9.5
Debt/Equity (x)	0.16	0.19	0.21
RoE (%)	7.9	12.1	11.5
RoCE (%)	8.8	13.6	12.7

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## CON-CALL HIGHLIGHTS

- ✓ Company changes its plan to build retail and hotel assets at GSK land parcel in Worli micro-market and now company intent to do residential project.
- ✓ OBER is aggressively building independent team to evaluating the redevelopment project as a part of business development exercise and bagged one project in Worli (Shiv Shahi society) with free sale component of 0.8msf carpet.
- ✓ Company is tentatively expecting to launch the Thane project which has potential saleable area of 15msf and another building in Elysian around festive season in the month of September or October 2021.
- ✓ OBER do not have any plans to raise the funds but took the enabling resolution to raise Rs35bn via NCDs (15bn) and equity dilution (Rs20bn) just to be ready if any growth funding required.
- ✓ 95% of the buyers for OBER is not first-time buyers, basically are upgrades and consumers are ready to pay higher for the quality of product offered.
- ✓ OBER is witnessing higher demand for larger configuration across the project portfolio. Elysian is minimum 20% higher than Esquire configuration and OBER do not left with single 4bhk to sale in available open inventory for sale.

### Exhibit 2: DCF based SoTP valuation

Valuation Breakup	Rs. mn	Rs./share	Comments
Gross NAV Residential	55729	153	NAV based on FY22E
Gross NAV Hotels	4793	13	15x FY22E EV/EBITDA
Gross NAV - Lease Co	94965	261	NAV based on FY22E
Land Bank & Other Assets	84002	231	Yield of 30% & 25% Discount to NAV
Less: Net Debt	14007	39	at the end of FY21E
<b>Total NAV</b>	<b>225482</b>	<b>620</b>	
CMP		527	
Upside		18%	
WACC		12.4%	
Capitalisation Rate		9%	

SOURCE: COMPANY, YES SEC - RESEARCH

### Exhibit 3: Residential Sales Q4FY21

	Units sold (Nos.)	Area sold (Sft)	Sales Value (Rs mn)	Collections (Rs mn)
Exquisite	3	14,710	360	209
Esquire	27	64,416	1,482	747
Maxima	19	43,498	666	320
Eternia	27	45,360	694	289
Enigma	36	97,891	1,533	639
Sky City	154	255,527	4,439	2,041
Elysian	154	532,188	9,910	1,301
<b>Total</b>	<b>420</b>	<b>1053590</b>	<b>19,085</b>	<b>5,546</b>
Three Sixty West	1	9,562	484	868

Source: Company, YES Sec - Research

## Exhibit 4: Residential Sales FY21

	Units sold (Nos.)	Area sold (sft)	Sales Value (Rs mn)	Collections (Rs mn)
Exquisite	10	55,635	1307	984
Esquire	80	192,265	4291	3699
Maxima	35	80,135	1279	538
Eternia	59	99,600	1487	481
Enigma	83	229523	3563	1222
Sky City	277	467946	7998	4260
Elysian	154	532188	9910	1301
<b>Total</b>	<b>698</b>	<b>1657292</b>	<b>29834</b>	<b>12486</b>
Three Sixty West	7	58,788	2964	3859

Source: Company, YES Sec - Research

## Exhibit 5: Annuity Assets Performance

Revenue (Rs mn)	Q4FY21	Q3FY21	Q4FY20	FY21	FY20
Oberoi Mall	302	500	398	1166	1605
Commerz I	67	61	44	228	318
Commerz II	295	338	322	1285	1235
The Westin	122	113	296	325	1315
EBITDA (Rs mn)	Q4FY21	Q3FY21	Q4FY20	FY21	FY20
Oberoi Mall	252	485	378	1073	1524
Commerz I	49	57	38	193	297
Commerz II	270	331	304	1209	1170
The Westin	4	-1	90	-52	447

Source: Company, YES Sec - Research

## Exhibit 6: Financial Performance for Q4FY21 and FY21

Particulars (Rs mn)	Q4FY21	Q3FY21	Q4FY20	FY21	FY20
Projects	6816	7033	4845	16571	16814
Hospitality	120	111	293	317	1306
Rent	818	1040	894	3229	3672
Other revenues	147	100	123	409	584
Revenue from operations	7901	8284	6155	20526	22376
EBITDA	3735	3825	3705	10,004	10,480
PBT	3545	3611	3494	9,212	9,630
PAT	2869	2867	2510	7,393	6,893

Source: Company, YES Sec - Research

## FINANCIALS

### Exhibit 7: Balance sheet

Y/e 31 Mar (Rs m)	FY20	FY21	FY22E	FY23E	FY24E
Equity capital	3,636	3,636	3,636	3,636	3,636
Reserves	82,659	90,055	101,971	114,672	129,674
Net worth	86,295	93,691	105,607	118,308	133,310
Debt	15,188	15,338	20,338	25,338	23,838
Deferred tax liab (net)	-467	-620	-620	-620	-620
Other non-current liabilities	1,558	1,851	1,851	1,851	1,851
Total liabilities	102,575	110,260	127,176	144,877	158,379
Fixed Asset	13,520	29,935	34,799	34,618	33,140
Investments	24,062	16,196	16,196	16,196	16,196
Other Non-current Assets	6,682	6,977	6,977	6,977	6,977
Net Working Capital	57,228	55,822	64,757	75,438	89,940
Inventories	53,173	46,626	55,807	65,994	80,458
Sundry debtors	1,152	1,280	1,575	2,211	2,350
Loans and Advances	3,118	3,727	3,727	3,727	3,727
Sundry creditors	859	938	1,480	1,621	1,723
Other current liabilities	7,696	8,256	8,256	8,256	8,256
Cash & equivalents	1,083	1,331	4,448	11,648	12,126
Total Assets	102,575	110,260	127,176	144,877	158,379

### Exhibit 8: Income statement

Y/e 31 Mar (Rs m)	FY20	FY21	FY22E	FY23E	FY24E
Revenue	22,376	20,526	32,378	35,468	37,692
Operating profit	10,480	10,004	18,430	19,884	22,452
Depreciation	449	412	1,282	1,585	1,478
Interest expense	885	760	1,008	1,256	1,182
Other income	484	380	430	480	580
Profit before tax	9,630	9,212	16,570	17,523	20,373
Taxes	2,796	1,851	4,171	4,411	5,128
Adj. PAT	6,893	7,393	12,788	13,574	15,875
Net profit	6,834	7,360	12,399	13,112	15,245

### Exhibit 9: Cash flow statement

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
PBIT	9,689	9,244	16,570	17,523	20,373
Depreciation	449	412	1,282	1,585	1,478
Tax paid	-2,221	-2,031	-4,171	-4,411	-5,128
Working capital Δ	-11,204	-999	-8,939	-10,681	-14,502
Other operating items					
Operating cashflow	-2,820	7,025	6,140	5,734	4,032
Capital expenditure	-2,257	-13,238	-6,683	-1,404	0
Free cash flow	-5,076	-6,212	-543	4,329	4,032
Equity raised					
Investments	5,841	7,263	0	0	0
Debt financing/disposal	-508	316	5,000	5,000	-1,500
Interest Paid	-1,711	-1,480	-1,008	-1,256	-1,182
Dividends paid	-877	0	-873	-873	-873
Other items	0	0	0	0	0
Net Δ in cash	-2,330	-113	2,576	7,201	478

## Exhibit 10: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Tax burden (x)	0.7	0.8	0.8	0.8	0.8
Interest burden (x)	1.0	1.0	1.0	1.0	1.0
EBIT margin (x)	44.8	46.7	53.0	51.6	55.6
Asset turnover (x)	0.2	0.2	0.2	0.2	0.2
Financial leverage (x)	1.3	1.3	1.3	1.3	1.3
RoE (%)	8.0	7.9	12.1	11.5	11.9

## Ratio analysis

Y/e 31 Mar	FY20	FY21	FY22E	FY23E	FY24E
<b>Growth matrix (%)</b>					
Revenue growth	(13.4)	(8.3)	57.7	9.5	6.3
Op profit growth	(9.3)	(4.5)	84.2	7.9	12.9
EBIT growth	(9.7)	(4.4)	78.8	6.7	14.6
Net profit growth	(15.6)	7.2	73.0	6.1	17.0
<b>Profitability ratios (%)</b>					
OPM	46.8	48.7	56.9	56.1	59.6
EBIT margin	44.8	46.7	53.0	51.6	55.6
Net profit margin	30.8	36.0	39.5	38.3	42.1
RoCE	9.9	8.8	13.6	12.7	13.3
RoNW	8.0	7.9	12.1	11.5	11.9
RoA	65.3	72.6	49.7	42.6	52.9
<b>Per share ratios</b>					
EPS	18.8	20.2	34.1	36.1	41.9
Dividend per share	2.0	0.0	2.0	2.0	2.0
Cash EPS	20.0	21.4	37.6	40.4	46.0
Book value per share	237.3	257.7	290.4	325.4	366.6
<b>Payout (%)</b>					
Dividend payout	10.6	0.0	5.9	5.5	4.8
Tax payout	25	25	25	25	25
<b>Liquidity ratios</b>					
Debtor days	19	23	18	23	23
Inventory days	867	829	629	679	779
Creditor days	14	17	17	17	17

Source: Company, YES Sec - Research

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