Oberoi Realty Limited

Initiating Coverage

Towering above all!

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Shreyans Mehta (shreyans.mehta@equirus.com, +91-022 4332 0611)
Jainam Shah (Jainam.Shah@equirus.com, +91-079 6190 9516)

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Towering above all!

CMP	Target Price
Rs 774	Rs 914
	Sep 2022
Rating	Upside
LONG	18% (↑)

- Oberoi Realty (OBER) is one of India's most established brands with a focussed strategy of (a) need-based land acquisition, (b) purchase of land parcels only from reputed players and (c) addressing consumer aspirations across price points.
- OBER has benefited from recent consolidation in the industry post RERA and demonetization. Historically low lending rates, stamp duty cuts and consumer preference for brands and ready-to-move-in properties augur well for OBER.
- While commercial and hospitality segments are likely to face near-term challenges, long-term prospects look promising with stellar growth (3.6x) expected from here on.
- We derive comfort from OBER's strong pipeline in the high-growth Mumbai Metropolitan Region (MMR), a sizeable annuity portfolio and a lean B/S. Initiate with LONG and a SOTP-based Sep'22 TP of Rs 914.

Established brand with focussed strategy: OBER is one of India's most established brands with a track record of 30+ years in the Mumbai Metropolitan Region (MMR) – amongst the most attractive real estate markets in the country. The company has ~45.3msf of premium developable/unsold area in prime locations. OBER has maintained discipline and delivered sustainable growth, thanks to its focussed strategy of (a) need-based land acquisition and complex project execution via alternative structures, (b) purchase of land parcels only from reputed players and (c) addressing aspirations via different brands across price points.

Residential segment – Capitalizing on brand, favourable dynamics: With demonetisation and RERA implementation, organized players such as OBER benefited immensely from their brand value and high quality. Also, OBER gained from historically low lending rates, tax cuts, and consumer preference for ready-to-move-in/timely-completed projects. OBER has seen bookings of ~1.7msf during FY21 (largely in 2HFY21) vs. ~0.6msf during FY20. Given the established brand and favourable dynamics, OBER will continue to capitalize on upcoming opportunities and is likely to clock sales (in msf) / revenue CAGR of 25% / 15% respectively over FY21-FY24E.

Commercial & hospitality – 3.6x growth over FY21-FY24E: OBER currently has an operational annuity portfolio of ~1.7msf, which is likely to grow manifold over the next three years to ~6.0msf. We expect lease revenues to multiply 3x from Rs 3.2bn in FY21 to Rs 9.9bn in FY24, giving a fillip to profitability and growth. For the hospitality business, while near-term challenges persist, long-term prospects look promising; we expect hospitality revenues to grow from Rs 317mn during FY21 to Rs 2.9bn during FY24E, mainly led by improving occupancy and addition of one hotel to the portfolio.

Valuation: Given OBER's strong pipeline in the high-growth MMR market, a sizeable annuity portfolio and a lean B/S, we believe it is well-placed to capitalize on the upcoming real estate boom. We expect a 23%/23% revenue/PAT CAGR over FY21-FY24E. Initiate coverage with LONG with a SOTP-based Sep'22 TP of Rs 914.

Key risks: Lower than expected sales, Change in interest rates, pandemic related disruptions, concentration risk etc.

Financial Summary

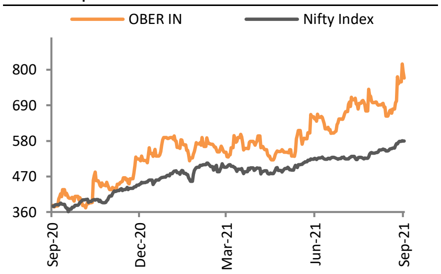
YE Mar Rs mn	Sales	EBITDA	Recurring PAT	EPS (Rs)	P/E (x)	P/B (x)	EV/ EBITDA (x)	ROE (%)	Core ROIC (%)	EBITDA Margin (%)
FY21A	20,526	10,004	7,393	20.4	38.0	3.0	29.5	8.2	7.7	48.7
FY22E	28,006	14,213	10,044	27.6	28.0	2.7	20.9	10.2	9.2	50.7
FY23E	33,461	17,182	11,944	32.8	23.6	2.5	17.3	11.0	9.9	51.3
FY24E	38,251	19,910	13,829	38.0	20.4	2.2	15.0	11.5	10.4	52.1

Source: Company, Equirus Securities

Stock Information	
Market Cap (Rs Mn)	2,81,501
52 Wk H/L (Rs)	825/370
Avg Daily Volume (1yr)	6,47,497
Avg Daily Value (Rs Mn)	6.2
Equity Cap (Rs Mn)	3,636
Face Value (Rs)	10
Share Outstanding (Mn)	363.6
Bloomberg Code	OBER IN
Ind Benchmark	BSEREAL

Ownership (%)	Recent	3M	12M
Promoters	67.7	0.0	0.0
DII	6.0	1.1	1.6
FII	23.5	-1.4	-2.7
Public	2.8	0.2	1.1

Relative price chart



Source: Bloomberg

Analysts

Shreyans Mehta
shreyans.mehta@equirus.com
+91-022 4332 0611

Jainam Shah
Jainam.Shah@equirus.com
+91-079 6190 9516

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Company Background

India's leading real estate developer

OBER has developed over 42 projects in 30+ years at strategic locations across the Mumbai skyline, aggregating 11.89mn sq. ft of spaces

OBER is one of India's leading real estate developers with focus on the Mumbai Metropolitan region (MMR). In depth knowledge about the micro market and regulatory environment enables it to identify attractive opportunities in the city. OBER's unique brand positioning, diversified project portfolio and financial prudence has made it one of the most trustworthy brands in the real estate sector.

OBER outsources all its construction and design work to external service providers, helping it leverage the expertise of service providers while ensuring focus on key business drivers.

OBER has a strong corporate governance framework driven by its Board of Directors. More than 50% of Board members are independent directors.

OBER has developed over 42 projects in 30+ years at strategic locations across the Mumbai skyline, aggregating about 11.89mn sq. ft of spaces. With another 45.3mn sq. ft. in the making, it has upcoming projects in various parts of Mumbai and other regions.

The company raised Rs 12bn via QIP in Jun'18.

Exhibit 1: Details of various SPV's/JV's

Entity / Joint Venture	Development Site / Location
Oberoi Realty Limited	Oberoi Garden City, Goregaon Mumbai (except Oberoi Mall)
	Malabar Hill Project, Malabar Hill, Mumbai
Oberoi Mall Limited	Oberoi Mall, Oberoi Garden City, Goregaon, Mumbai
Oberoi Constructions Limited	Splendor, Andheri – East, Mumbai
	Eternia and Enigma, Mulund – West, Mumbai
Oasis Realty	Three Sixty West, Worli, Mumbai The Ritz-Carlton Mumbai – Worli, Mumbai
Siddhivinayak Realties Private Limited	Juhu Hotel, Juhu, Mumbai
Sangam City Township Private Limited	Sangam City, Sangamwadi, Pune
Incline Realty Private Limited	Sky City, Borivali, Mumbai
Shri Siddhi Avenues LLP	Tardeo, Mumbai
I-Ven Realty Limited	I-Ven Mall
	I-Ven Hotel

Source: Company Data, Equirus

Portfolio summary

45.3msf developable/unsold area in pipeline

Exhibit 2: Oberoi: Project pipeline

Residential	Place	Area (msf)	Status
Seven	Goregaon	0.04	Completed
Exquisite	Goregaon	1.55	Completed
Esquire	Goregaon	2.12	Completed
Prisma	Andheri	0.27	Completed
Elysian	Goregaon	1.18	Ongoing
Maxima	Andheri	0.41	Ongoing
Eternia	Mulund	2.16	Ongoing
Enigma	Mulund	2.03	Ongoing
Sky City	Borivali	3.66	Ongoing
Three Sixty West	Worli	2.28	Ongoing
Esquire	Goregaon	3.40	Planned
Sky City	Borivali	0.94	Planned
Thane (Mixed Development)	Thane	12.00	Planned
Sangan City (JV)	Pune	0.77	Planned
Malabar Hill (JV)	Malabar Hill	0.02	Planned
Tardeo (JV)	Tardeo	0.35	Planned
Hotel	**Place**	**Area (msf)**	**Status**
The Westin Mumbai Garden City	Goregaon	0.38	Operational
Ritz Carlton	Worli	0.31	Under Construction
Skycity Hotel	Borivali	0.17	Planned
Iven - Hotel (JV)	Worli	0.68	Planned
Juhu Hotel (JV)	Juhu	1.29	Planned
Mall / Commercial	**Place**	**Area (msf)**	**Status**
Commerz I	Goregaon	0.31	Operational
Commerz II	Goregaon	0.78	Operational
Oberoi Mall	Goregaon	0.55	Operational
Commerz III	Goregaon	2.80	Under Construction
Sky City Mall	Borivali	1.56	Under Construction
Mulund Commercial	Mulund	0.14	Planned
Skycity Extension	Borivali	1.05	Planned
Sangan City (JV)	Pune	0.56	Planned
Social Infrastructure	**Place**	**Area (msf)**	**Status**
Oberoi International School	Goregaon	0.31	Completed
Oberoi International School	Andheri	0.32	Ongoing
Educational Complex	Goregaon	0.87	Planned
Hospital	Goregaon	0.38	Planned

Source: Company Data, Equirus

Exhibit 3: Management Background

Name	Designation	Description
Vikas Oberoi	Chairman & Managing Director	Vikas Oberoi is the Chairman and Managing Director of Oberoi Realty Ltd. He is involved in the formulation of corporate strategy and management and concentrates on the growth and diversification plans of the Company. He has more than three decades of experience in the real estate industry and is the recipient of numerous awards and accolades for his thought leadership and contribution to the sector. He is also an alumnus of Harvard Business School and on HBS's India Advising Board.
Saumil Daru	Chief Financial Officer	Saumil Daru has been associated with the Company since 2002. As the Chief Financial Officer of the Company, he heads Finance, Accounts and Tax functions at Oberoi Realty Limited. He has a cumulative work experience of over 20 years in Tax, Accounts and Finance. A graduate in Commerce from Mumbai University, he is also a qualified Chartered Accountant and has completed the Advanced Management Program from the Harvard Business School.
Bindu Oberoi	Non-Independent, Non-Executive Director	Bindu Oberoi is a Commerce Graduate from Mumbai University and is deeply involved in various design, landscaping and interior aspects of the projects developed.
Karamjit Singh Kalsi (Sonny Kalsi)	Independent, Non-Executive Director	Sonny is based out of the US and is the President of Bentall Green Oak, global real estate firm that seeks to create long-term value for its investors and clients, with ~$50 bn of assets under management and operations in 12 countries around the world. Sonny is a graduate of Georgetown University with a BS degree in Finance and is a former member of the Board of Regents of Georgetown University. He also serves on the board of several organizations.
Tilokchand P. Ostwal	Independent, Non-Executive Director	Recognised amongst the top 50 tax professionals in the world, Tilokchand P. Ostwal has been on the Board of Directors since December 2007. He is fellow member of the ICAI and in practice for more than 40 years. He is a partner of T. P. Ostwal & Associates and DTS & Associates, Chartered Accountants. He is a member of International Taxation Committee of Bombay Chartered Accountants' Society (BCA) and Institute of Chartered Accountants of India and member of International Taxation Committee and Taxation Committee of Indian Merchants' Chamber (IMC). He was a member of the advisory group / committee set up by the Government of India for international taxation and transfer pricing.
Tina Trikha	Independent, Non-Executive Director	Tina Trikha has close to two decades of experience working with companies in the United States, India, and South-East Asia. A published author and an executive coach, she currently serves as head of communications and talent development for SeaLink Capital Partners, a private equity firm based in Mumbai. Tina holds a bachelor's degree in economics from Massachusetts Institute of Technology and a master's degree in Business Management from the Wharton School of Business.
Venkatesh Mysore	Independent, Non-Executive Director	Venkatesh Mysore is currently the CEO and MD of Knight Riders Sports Private Limited (Kolkata Knight Riders) and the Chief Executive Officer of Red Chillies Entertainment Private Limited. Venkatesh Mysore brings on board decades of rich and versatile experience in the insurance sector, asset management and in setting up and promoting companies in diverse cultural and business environments. With years of experience in the financial sector in the US, he has served as the CEO & MD of MetLife, where he spent over 21 years and also helped start up its India venture.

Source: Company Data, Equirus

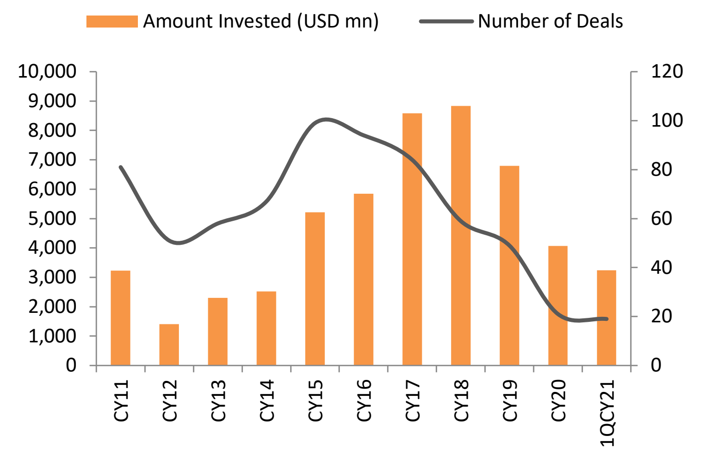
India's Real Estate Market – Rebound Imminent

Historical PE investments in real estate sector

1QCY21 saw PE investments of US$ 3.2bn, ~80% of full year CY20

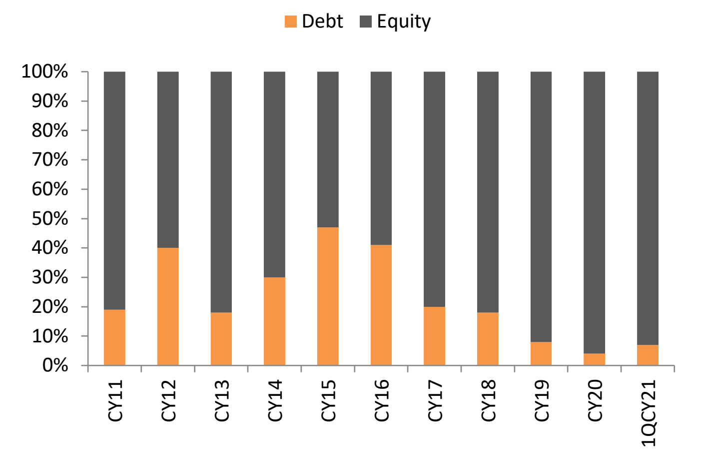
CY20 had been a difficult year for the global economy, as nations worldwide attempted battling the pandemic with stringent lockdowns. The impact of pandemic-led uncertainties was evident in a 40% yoy drop in PE investments in Indian real estate during the year. Sentiments improved significantly in CY21 and investor activity bounced back with a decline in COVID cases during the early months of the year. Consequently, 1QCY21 saw PE investments of US$ 3.2bn, ~80% of full year CY20 and ~48% of full year CY19. The recovery in investments (in value terms) was majorly driven by office and retail segments. Exhibit 4-5 depict PE investments in the Indian real estate sector as well as the funding mix during the past 10 years.

Exhibit 4: PE Investment in Indian real estate



Source: Knight Frank, Company Data, Equirus

Exhibit 5: Equity route dominated PE investments in recent years

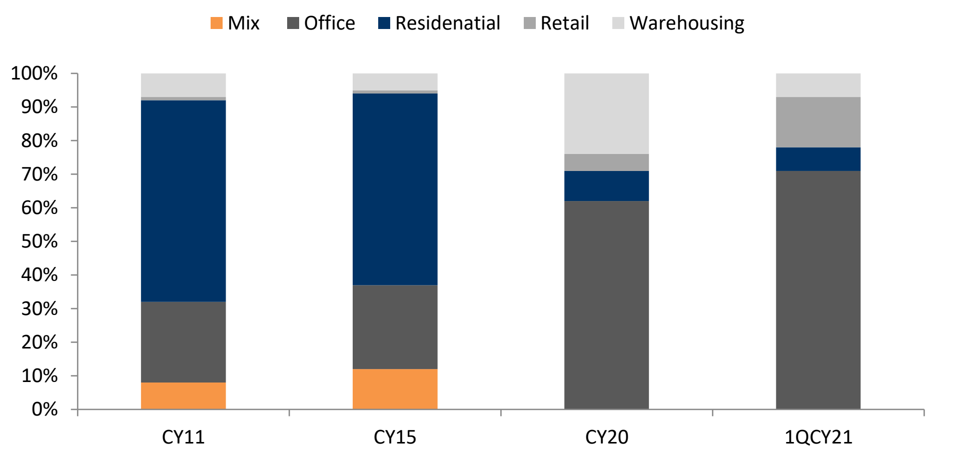


Source: Knight Frank, Company Data, Equirus

Further break down of investments indicates office spaces are attracting strong interest and have witnessed the maximum investment in recent years.

Office space attracting maximum investments

Exhibit 6: Share of investments by asset class



Source: Knight Frank, Company Data, Equirus

Residential Segment

With easing of lockdown restrictions, India's residential sales grew 5%/44% yoy in 4QCY20/1QCY21

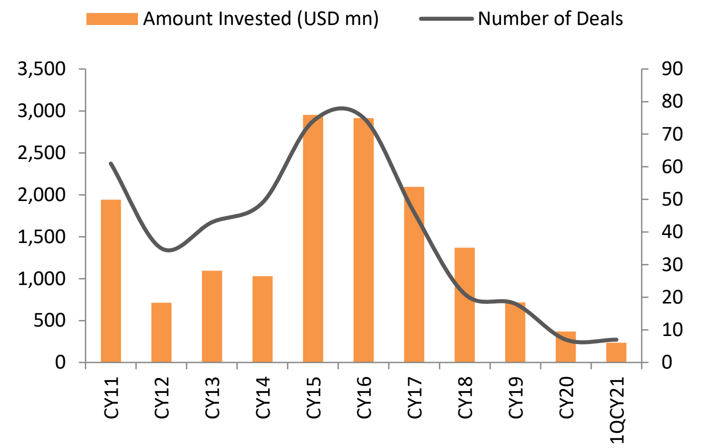
India's residential segment was already under a downcycle during the second half of the last decade with slowing sales velocity, stagnant or reducing prices, a rise in input costs and limited funding avenues. Consequently, PE investments in the residential segment had been declining since CY16 – both in value and volume terms. Even during the current cycle, a large number of unscrupulous and nonserious developers were forced to exit; in contrast, serious developers with strong project execution capabilities survived the downcycle.

Trends during 3Q/4QCY20 were encouraging with demand pull back after easing of lockdown restrictions post 2QCY20. The residential segment saw strong sales growth in months after the lockdown, despite the cascading impact on income streams and perception of widespread demand destruction during early lockdown days. Growth was propelled by historically low home loan interest rates, pent up demand, an increase in household savings (due to lockdown), and incentives extended by developers and some state governments. All this combined led to an uptick in quarterly all-India residential sales. After lockdown restrictions were lifted in a phased manner between 2QCY20 and 3QCY20, India's residential sales grew 5% yoy in 4QCY20 and 44% yoy in 1QCY21.

Residential segment sees PE investments of US$ 234mn in 1QCY21

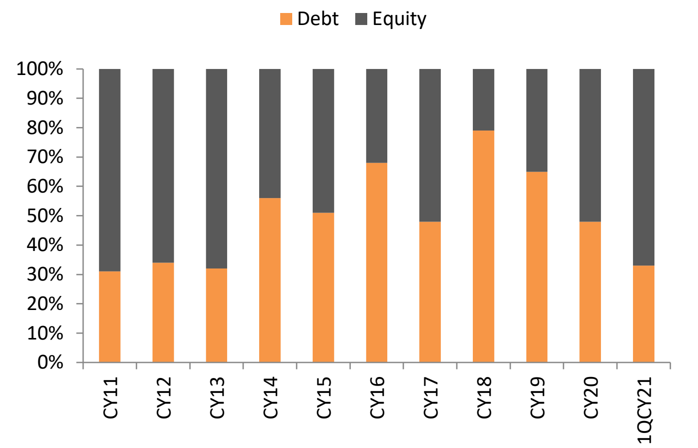
With PE players hopeful of an uptick in the residential business cycle, the segment saw investments worth US$ 234mn in 1QCY21, or 64%/38% of CY20/CY19 investments. Investor preference, which had moved to comparatively low risk debt, again tilted strongly in favour of equity in CY20 and Q1CY21 – indicating higher risk appetite and hopes of a pickup in the residential cycle.

Exhibit 7: PE Investment across debt and equity in residential segment



Source: Knight Frank, Company Data, Equirus

Exhibit 8: Comeback of equity investment in residential segment



Source: Knight Frank, Company Data, Equirus

Office Segment

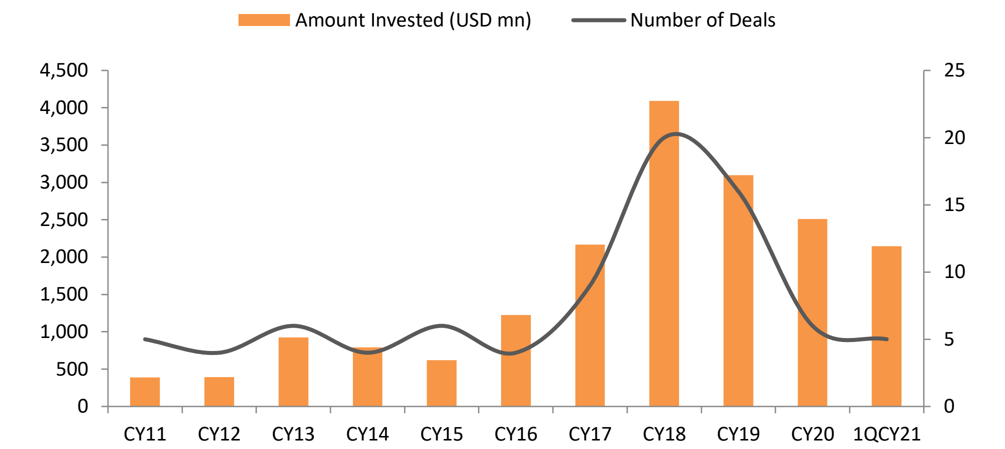
The office segment continues to be the most preferred choice for investments due to strong underlying fundamentals of the Indian office market. Listing of three REITs on the Indian stock exchange further bolstered investor confidence by providing a credible exit avenue.

Office segment sees PE investments (equity) worth US$ 2.1bn, or 92%/72% of CY20 /CY19 investments.

Despite rising preference and increasing acceptance for the 'work from home' concept, investors are betting big on an increase in office demand, with a strong recovery once the pandemic subsides and mass vaccinations gather steam. Investors were also comforted by a recovery in office leasing during the Dec'20 quarter. Further, with the consistent decline in COVID infections between Oct'20 and Feb'21, several companies encouraged their employees to resume offices.

In 1QCY21, the segment witnessed PE investments (equity) worth US$ 2.1bn, or 92%/72% of CY20/ CY19 investments. With the pandemic easing and vaccinations gaining traction, the situation is expected to gradually improve. The office segment would again be in the limelight and emerge as the preferred choice for investment given attractive segment yields.

Exhibit 9: PE investments across debt and equity in office segment



Source: Knight Frank, Company Data, Equirus

MMR dominated the office segment last decade in terms of investments in India.

Exhibit 10: City-wise equity investments in office space since 2011

Mumbai leads office investments since 2011 with US$ 5,288mn invested in 22 deals

City	Amount invested (USD mn)	No of deals
Mumbai	5288	22
NCR	3368	14
Hyderabad	2866	16
Bengaluru	2303	13
Bengaluru, Chennai, NCR	2000	1
Chennai	1118	9
Pune	936	10
Chennai, Hyderabad	415	1
Others	67	1

Source: Knight Frank, Company Data, Equirus

Retail segment

The retail sector was the hardest hit due to the pandemic. Malls were amongst the last to reopen in CY20 during unlocking phases, and the fear of virus spreading in enclosed areas hurt consumer sentiments. PE investment too in the retail segment dropped by a whopping ~76% in CY20.

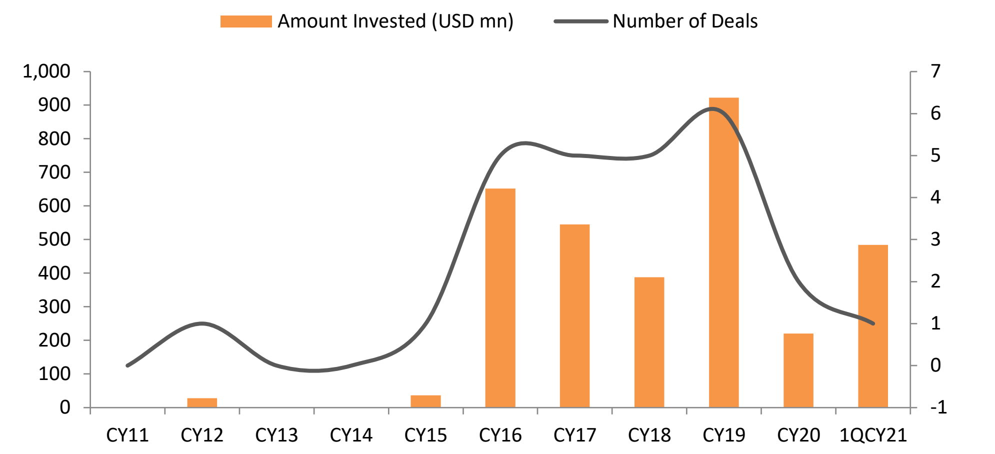
Retail segment hardest hit due to pandemic and strict lockdowns

Several mall owners in India had announced a partial/full rent waiver during the CY20 lockdown, and absorbed revenue losses. Some mall owners even extended this partial waiver for the fiscal's remaining part; they also offered to waive off a portion of the minimum guarantee or a fixed portion of rents and shift to a higher percentage of revenue sharing.

The retail sector had barely recovered from the crisis, when COVID 2.0 struck during Mar-Apr'21, forcing some state governments to impose stricter lockdowns. The second lockdown in several parts of the country led to closure of retail assets yet again. With the pandemic subsiding and vaccination gaining traction, the situation is set to improve in the long term with short-to-mid-term disruptions.

PE investment in retail sector tanks 76% in CY20

Exhibit 11: PE investment across debt and equity in retail segment



Source: Knight Frank, Company Data, Equirus

Strong residential segment growth post pandemic

Indian market

The residential market has been tested by a resurgent pandemic and yet maintained its growth momentum in sales and launches at CY20-end. Increasing vaccinations, improving consumer perception for home ownership, lower home-loan rates and competitive house prices have brought home buyers back to the market.

Exhibit 12 compares new launches, sales and unsold inventory data for 1HCY21 vs. 1HCY20. New launches have increased 71% whereas sales have jumped 67% during this period. Despite higher sales, unsold inventory has largely remained in line owing to new launches.

New launches increase 71% in 1HCY21 over 1HCY20, while sales jump 67% over this period

Exhibit 12: Launches, Sales and unsold inventory (India)

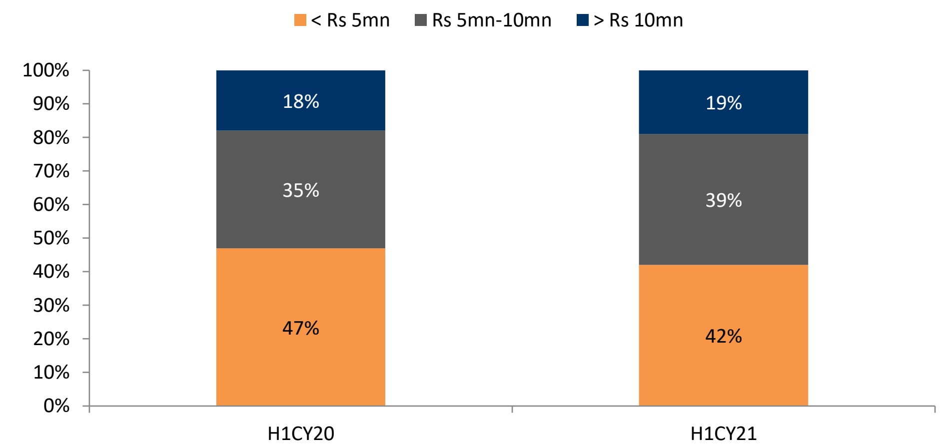
Particulars	H1CY20	H1CY21	% Change (yoy)
Launches (Units)	60489	103238	71%
Sales (Units)	59538	99416	67%
Unsold Inventory (Units)	446787	441742	-1%
Quarter to sell	10.1	10.9	-
Age of unsold inventory (In quarters)	16.4	16.9	-

Source: Knight Frank, Company Data, Equirus

Poor sentiment stemming from uncertainties and potential income losses was visible in the lower income demographic areas across India; the share of home sales below Rs 5mn ticket-size tumbled from 47% in 1HCY20 to 42% in 1HCY21. While sales in this category grew 50% yoy, they underperformed the overall market which grew 67% yoy. The Rs 5mn-10mn ticket size outshined with 87% yoy growth while sales in the >Rs 10mn category grew by a strong 79% yoy.

Rs 5mn-10mn ticket size sales outshined with 87% yoy growth

Exhibit 13: Sales comparison based on ticket size



Source: Knight Frank, Company Data, Equirus

While the real estate sector has seen some boost in sales post pandemic, overall market health has remained stable (Exhibit 14).

Exhibit 14: Market health (Jun'21)

Market	Unsold Inventory (Units)	Quarter to sell	Age of Inventory in quarter
MMR	154181	11.8	15.6
NCR	102143	14.7	23.9
Bengaluru	73341	10.1	15.4
Pune	50545	6.8	13.2
Chennai	11862	4.2	16.5
Hyderabad	11918	3.2	9.1
Kolkata	25240	9.8	15.8
Ahmedabad	12512	5.2	9.4

Source: Knight Frank, Company Data, Equirus

MMR Region

Maharashtra was amongst the first states to impose a strict lockdown during COVID 2.0. This imposition coincided with the expiry of stamp duty concessions (withdrawn on 31 Mar'21). A drop in sales during 2QCY21 was thus on expected lines as several homebuyers looking at purchases during CY21 closed transactions before 31 Mar'21 to benefit from lower stamp duties. The lockdown further accelerated the demand drop.

1QCY21 MMR sales aided by stamp duty benefits, a reduction in home loan rates and lower COVID infections

Residential sales in MMR during 1HCY21 were up by a strong 53% yoy led by (a) robust sales in 1QCY21 boosted by a lower stamp duty window of 3% and (b) an abysmally low base of 2QCY20 marred by the first lockdown. While a lockdown was imposed in 2QCY21 as well, the impact on sales was not as pronounced as during 2QCY20 since developers and homebuyers were better prepared to tackle the crisis this time around. Sales in 1QCY21 were also aided by a reduction in home loan rates, economic revival, drop in COVID-19 cases and lower stamp duty (7-month window which had opened in Sep'20). All these factors boosted homebuyer sentiments, leading to higher sales in 1QCY21.

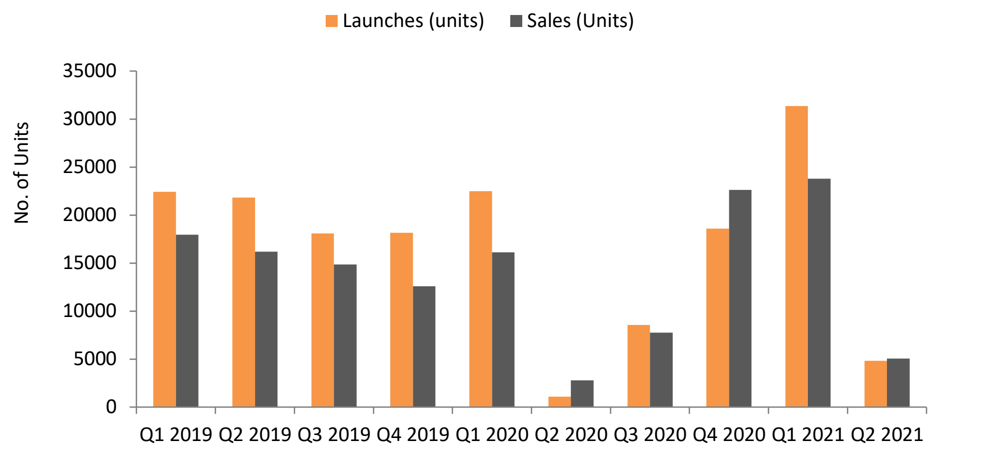
In 2QCY21, despite closure of the lower stamp duty window, several developers continued to absorb the stamp duty incidence on behalf of homebuyers without increasing prices. Many homebuyers who purchased homes during 2QCY21 had visited project sites before 31 Mar'21 but could not close the deal due to various reasons.

Exhibit 15: MMR: Market Summary

Particulars	H1CY20	H1CY21	% Change (yoy)
Launches (Units)	23399	35872	53%
Sales (Units)	18646	28607	53%
Unsold Inventory (Units)	150054	154181	3%
Quarter to sell	10.8	11.8	-
Age of unsold inventory (In quarters)	15.1	15.6	-
Price per sq ft (weighted average)	6886	6750	-2%

Source: Knight Frank, Company Data, Equirus

Exhibit 16: MMR: Quarterly launches, sales trend



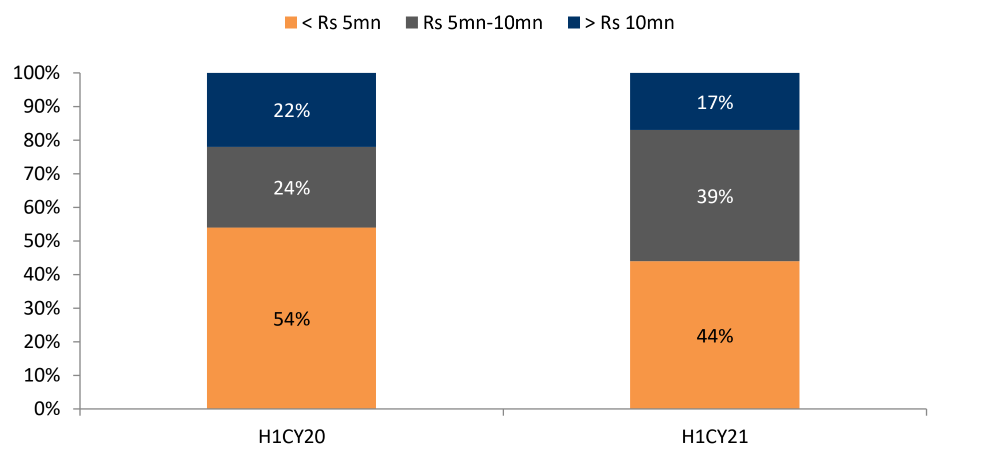
Source: Knight frank, Company Data, Equirus

Lockdown created a demand for bigger homes, pushing up ticket sizes of apartments sold

Share of sales in the >Rs 5mn segment grew from 46% in 1HCY20 to 56% in 1HCY21. As absolute savings were higher in costlier apartments, homebuyers in the mid-to-high-income groups took maximum advantage of the reduced stamp duty window, particularly during 1QCY21. This was also due to lower income impact on homebuyers in this segment vis-à-vis those in the affordable housing segment (<Rs 5mn).

The lockdown induced homebuyers to look at larger homes – not a necessity earlier. As families were confined to their homes, several homebuyers realized the importance of having additional rooms in their houses, thereby creating a demand for bigger homes and pushing up ticket sizes of apartments sold. The reduction in home loan rates was another booster, as the principal amount eligibility for home loans increased.

Exhibit 17: MMR: Comparison of ticket size split

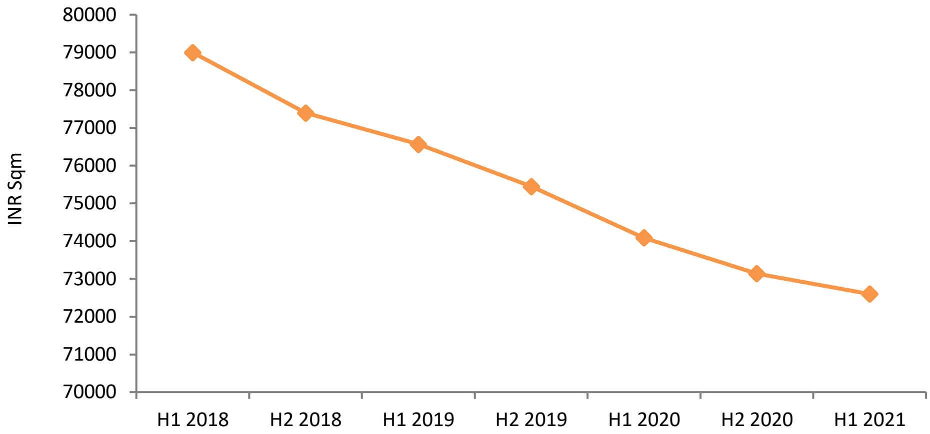


Source: Knight frank, Company Data, Equirus

Share of sales in >Rs 5mn segment up from 46% in 1HCY20 to 56% in 1HCY21

Weighted average prices in MMR declined by 2% yoy in 1HCY21. While the intensity of price correction has reduced in recent years, prices have corrected ~17% in last 5 years since the 2016 peak. While various benefits and discounts – such as GST waivers, deferred payment plans, stamp duty waivers, zero floor rise charges and gifts – continue in the market, developers are slowly phasing out or reducing the monetary value associated with these discounts.

Exhibit 18: Residential price movement (MMR)

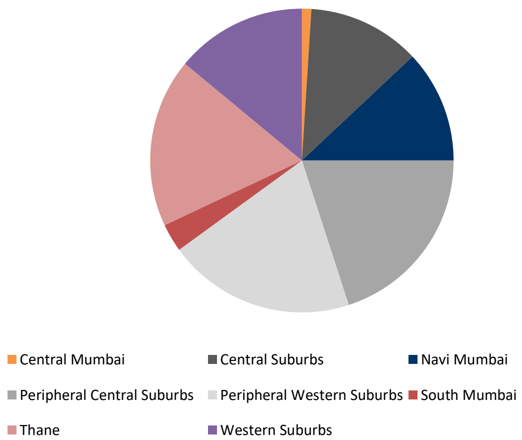


Source: Knight Frank, Company Data, Equirus

New launches, sales in MMR micro market

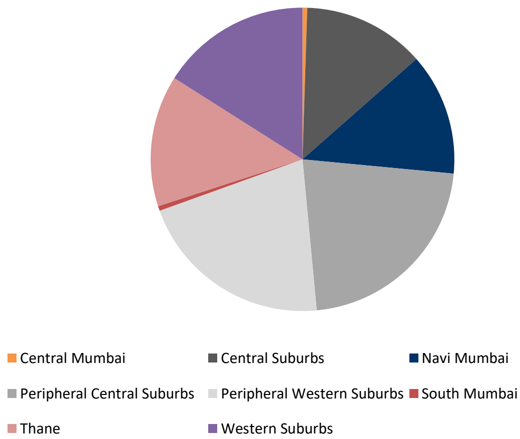
Launches in 1HCY21 grew 53% yoy. Strong growth in new launches also had the same set of underlying reasons as that for sales. Peripheral Central Suburbs and Peripheral Western Suburbs had the highest share in new launches in 1HCY21 of 22% and 21% respectively. Consequently, 54% of new launches during H1CY21 were in the <Rs 5mn category. Western suburbs and Thane saw their share of sales increase from 13% in 1HCY20 to 19% in 1HCY21, and from 11% in 1HCY20 to 15% in 1HCY21, respectively. The share of Central Mumbai increased by 1% in the same period while that of Peripheral Central Suburbs and Navi Mumbai dropped.

Exhibit 19: New Launches: H1CY20



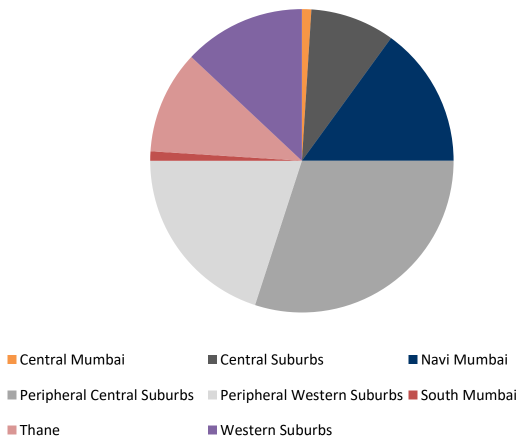
Source: Knight Frank, Company Data, Equirus

Exhibit 20: New Launches: H1CY21



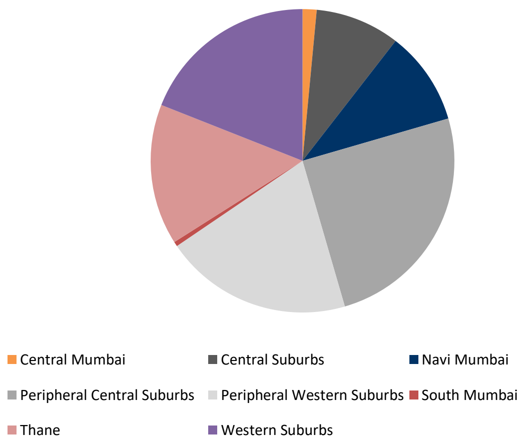
Source: Knight Frank, Company Data, Equirus

Exhibit 21: New Sales: H1CY20



Source: Knight Frank. Company Data, Equirus

Exhibit 22: New Sales: H1CY21



Source: Knight Frank, Company Data, Equirus

Oberoi – Established brand with focused strategy

OBER is one of India's most established brands with a track record of 30+ years in the Mumbai Metropolitan Region (MMR) – amongst the most attractive real estate markets in the country. The company has ~45.3msf of premium developable/unsold area in prime locations. OBER has maintained discipline and delivered sustainable growth, thanks to its focussed strategy of (a) need-based land acquisition and complex project execution via alternative structures, (b) purchase of land parcels only from reputed players and (c) addressing aspirations via different brands across price points.

Acquired sizeable land in 2002-05 when prices were low, and consciously avoids land acquisition in 2007-08 during Lehman & housing crisis in US

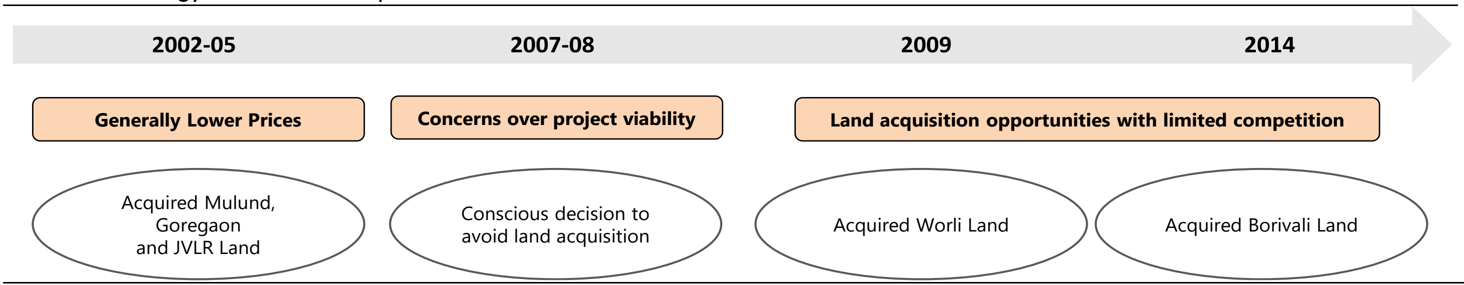
Need-based land acquisition

Ensures effective capital utilization, control over leverage

OBER has always maintained a disciplined approach with regard to land acquisition, following a need-based strategy rather than a market-based one. Besides, real estate business profitability is dependent largely on land acquisition costs. Prudent use of funds has thus ensured that capital is efficiently used and leverage stays under control.

OBER acquired a substantial portion of land between 2002-2005 when land prices were lower than market rates. In contrast, the company took a conscious decision to avoid land acquisition during 2007-08 – a period that saw the Lehman and housing crisis in the US and spooked the global economy. Post this crisis, prices across asset classes crashed, forcing weak, over-leveraged players to exit the market, thereby reducing competition. Cash-rich players such as OBER capitalized on this scenario and acquired land parcels from 2009-2014.

Exhibit 23: Strategy-based land acquisition



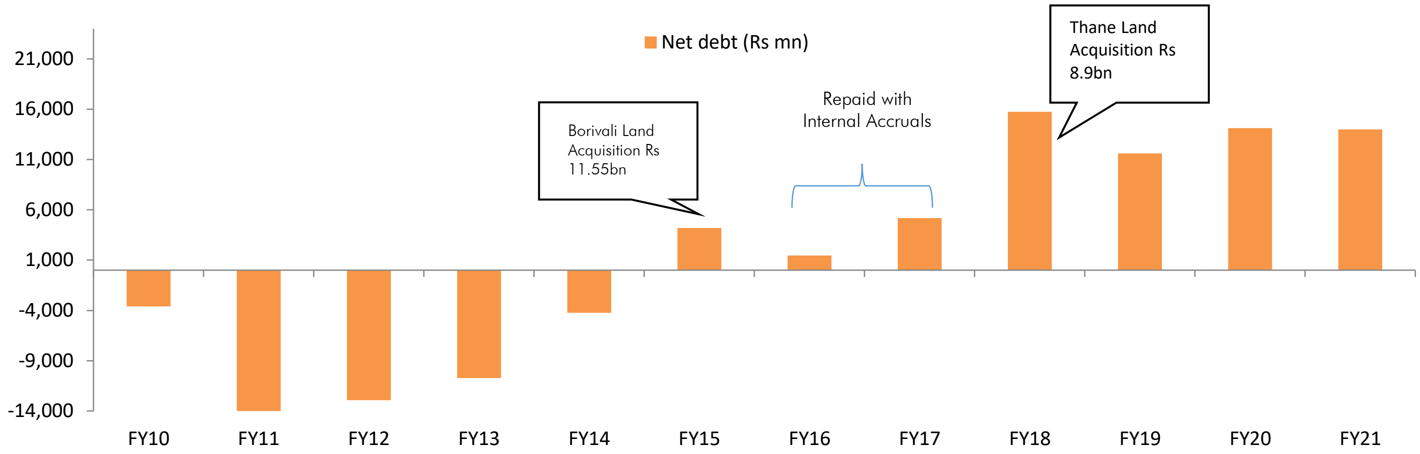
Source: Company Data, Equirus

Exhibit 24: Land acquisition – A snapshot

Sr No	Location of the Land	Land Area (Acres)	Date of agreement	Agreement Value (Rs mn)	Sources of Funds
1	Goregaon (East), Mumbai	10.6	July 9, 2001	5.0	Internal Accruals
2	Andheri (West), Mumbai	3.6	February 10, 2005	161.0	Internal Accruals
3	Andheri (West), Mumbai	3.2	February 10, 2005	156.1	Internal Accruals
4	Sangam City, Pune	17.8	Multiple dates	580.6	Internal Accruals
5	Juhu, Mumbai	3.1	March 31, 2005	1745.3	Internal Accruals
6	Mulund, Mumbai	0.5	July 31, 2005	21.5	Internal Accruals
7	Borivali, Mumbai	25.0	March 2014	11550.0	NA
8	Thane, Mumbai	60.0	August 2019	8900.0	NA

Source: Company Data, Equirus

Exhibit 25: Minimal Net Debt despite periodic land acquisitions



Source: Company Data, Equirus

Executing complex projects via alternative structures

Joint Development Agreement/ Development Management Agreements – alternate structures followed by OBER

OBER focusses on acquiring land from a near-to-mid-term perspective and by making up-front payments for land purchases. However, it also develops projects through alternative structures such as Joint Development Agreement (JDA) or development management agreements. For instance, in projects which involve slum development and rehabilitation, OBER forms a JV structure and the JV partner is responsible for carrying out the slum rehabilitation portion. The company earns revenue from the development and sale of free-sale portion on a revenue-sharing basis. OBER's slum rehabilitation scheme (SRS) structure is beneficial for all as the JV partner can get higher value using Oberoi's brand, while OBER benefits from access to quality land without making significant capital investments.

Exhibit 26: Example of Capital Efficient Structure followed by OBER

Sr No	Project Name	JV Partner	Responsibility of JV Partner	OBER's role	Case for OBER
1	Three Sixty West	Skylark Buildcon Private Limited and Vrunda Enterprises	Rehabilitation component of the slum redevelopment Project	Developing the free-sale portion arising from the slum redevelopment project	Reduces Large Upfront payment OBER will receive a revenue share **Residential:** 25% to 40% of net revenues depending upon the sale price per square foot of each premises **Hospitality:** 50% share of net revenues
2	Tardeo	Kishor B. Rathod, Mahindra B. Rathod, Raju B. Rathod and Jignesh P. Kothari.	NA	Developing the free-sale portion arising from the slum redevelopment project.	Reduces Large Upfront payment OBER's share in the project is 50% of the estimated Saleable Area

Source: Company Data, Equirus

Acquisition of land parcels from reputed players

Ensures clear title, faster execution of projects

As on Jun'21, majority of OBER's land parcels were fully paid. The company has historically purchased land from reputed players such as GSK, Novartis, Tata Steel, and Excel Industries. Acquisition of land parcels from reputed players ensures clear title (less litigations) and faster execution of projects ensuring timely and healthy cash flow generation.

Exhibit 27: Land acquisition from reputed corporates

Project	Land acquired from	Price (Rs mn)	Acres	Acquired Date	Launch Date
Oberoi Garden City-Goregaon	Novartis & Ciba Speciality Chem	1068	83.9	1999-2005	-
Oberoi Splendor (Andheri -E)	Madhu Fantasy Pvt Ltd and Avinash Bhosale	1060	24.5	Oct-2005	Feb-2007
Oberoi Springs (Andheri -W)	Excel Indus / Shroff Family Charitable Trust / Oshiwara Land Devp Co P Ltd	317	7.0	Feb/Apr-2005	Nov-2005
Oasis- Reality- Worli	JV-OCPL, Sky Lark Build and Shree Vrunda	NA	NA	-	-
Oberoi Exotica-Mulund/ Eternia & Enigma	GSK Pharma	2210	18.8	Sep-2005	Oct-2010
Oberoi Sky City	Tata Steel	11550	25.0	Mar-2014	-
Oberoi Thane	GSK	8900	60.0	Aug 2019	-
360 West	OCL, Sky Lark, and Shree Vrunda Ent	NA	NA	-	-

Source: Company Data, Equirus

Wooing customers across different price points

Stable real estate EBIT margins despite presence across various price points

Addressing aspirational customers via different brands across price points

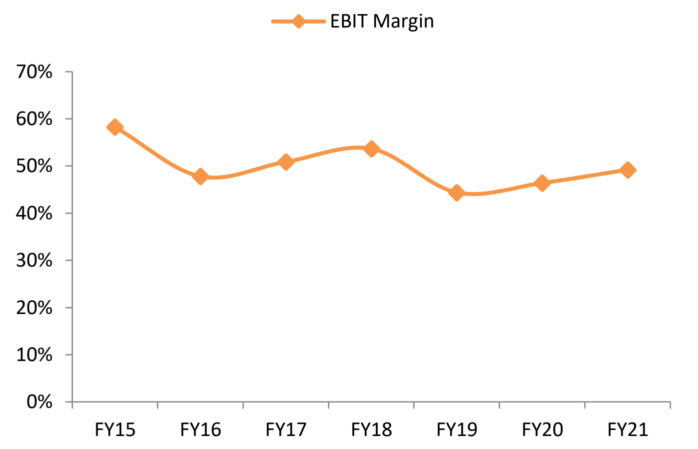
OBER strategically focusses on quality construction and on addressing the aspirational needs of its customers. The company has acquired land parcels suitable for mixed use development and situated at attractive locations. OBER majorly creates 'destination developments' or integrated mixed use development projects anchored by a shopping mall, a hotel and a school. Additionally, OBER also tries to address the aspirational needs of customers at various price points without compromising on profitability.

Exhibit 28: Various price points

Name of the premises	Place	Price (Rs psf)
Prisma	Andheri	21000-24000
Maxima	Andheri	15000-18000
Sky City	Borivali	15000-18000
Exquisite	Goregaon	21000-24000
Esquire	Goregaon	21000-24000
Elysian	Goregaon	18000-21000
Eternia	Mulund	12000-15000
Enigma	Mulund	15000-18000
Three Sixty West	Worli	48000-51000

Source: Company Data, Equirus

Exhibit 29: Residential EBIT margin trend



Source: Company Data, Equirus

Residential segment – healthy portfolio, favourable dynamics

OBER has a diversified portfolio of projects covering key real estate segments – residential, office space, retail, hospitality and social infrastructure projects. The company focuses on residential projects and currently, has a healthy residential inventory of ~23.2msf.

With demonetisation and RERA implementation, organized players such as OBER benefited immensely because of its brands, high quality and customer satisfaction. Also, OBER has gained from historically low lending rates, tax cuts, and consumer preference for ready-to-move-in/timely completed projects.

OBER has clocked bookings of ~1.7msf during FY21 (largely in 2HFY21) as against ~0.6msf during FY20. Given the established brand and favourable dynamics, OBER will continue to capitalize on upcoming opportunities and is likely to clock sales (in msf) / revenue CAGR of 25% / 15% respectively over FY21-FY24E.

Healthy portfolio, strong pipeline

OBER has a very strong presence in MMR – one of India's costliest and strongest real estate markets with 50-55% of the inventory skewed towards mid-high income ticket sizes. The company's healthy portfolio has brands such as Esquire, Exquisite, Sky-city, and Three Sixty West – independent brands across MMR and address customer requirements at every price point.

Exhibit 30: Mixed used development projects

OBER Garden City, Goregaon

Oberoi's flagship mixed-use development project is Oberoi Garden City, an integrated development on ~75.24 acres of land in Goregaon (East), in the western suburbs of Mumbai, adjacent to the arterial Western Express Highway and overlooking Aarey Milk Colony. Oberoi Garden City includes projects under various categories a) Residential (Exquisite, Esquire, Elysian) b) Hotel (The Westin Mumbai Garden City) (c) Office Space (Commerz – I, Commerz – II and Commerz – III) (d) Mall (Oberoi Mall) e) Social Infrastructure (Oberoi International School).

Sky City

Sky City is a mixed-use development on ~25 acres of land in Borivali (East), in the western suburbs of Mumbai, located off Western Express Highway overlooking Borivali National Park. In addition, OBER have entered into a Development Agreement with Abhedya S.R.A. Sahakari Gruhnirman Sanstha for the redevelopment of an additional area of approximately 7.48 acres of land. Sky City was adjudged the "Residential Property of the Year" at the Realty Plus Excellence Awards, 2016. Sky City includes a) Sky City I, a residential complex (~2.9msf Saleable Area) b) Sky City II, a residential complex (~1.7msf Saleable Area) C) Sky City Mall, a retail complex (~1.6msf leasable area); (iv) a hotel (~0.17msf) (v) Sky City Extension, an office space project (~1.05msf leasable area)

Three Sixty West

Three Sixty West is a mixed-use development of ~2.6msf of Saleable Area in Worli, located on the arterial Annie Besant Road. Three Sixty West is being developed by Oasis Realty, an unincorporated joint venture between wholly owned subsidiaries of Oberoi, OCL and Astir Realty LLP, on the one hand, and Skylark Buildcon Private Limited and Shree Vrunda Enterprises, on the other hand. As joint venture partners, OCL and Astir Realty LLP are responsible for developing the free-sale portion arising from the slum redevelopment project being undertaken on the property. The rehabilitation component of the slum redevelopment project is the responsibility of the other joint venture partners, Skylark Buildcon Private Limited and Shree Vrunda Enterprises.

Source: Company Data, Equirus

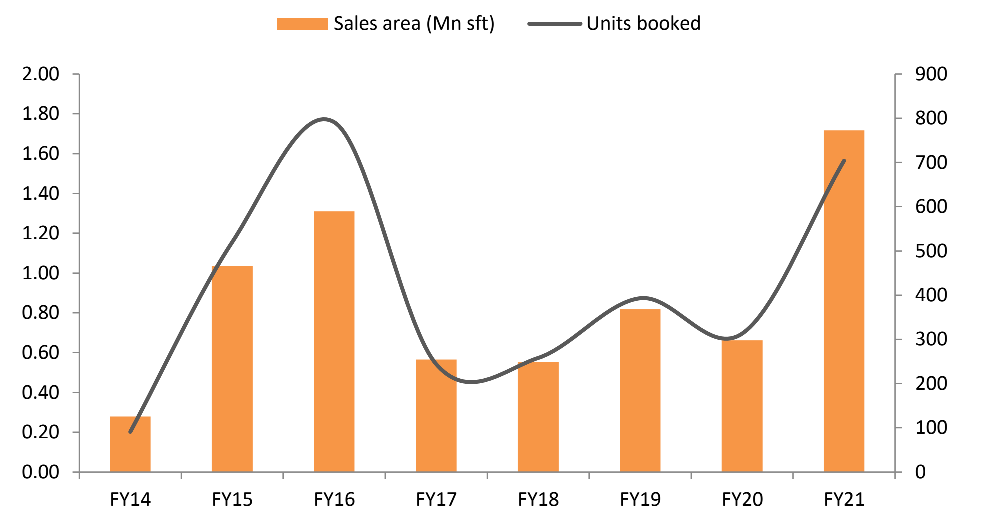
Exhibit 31: Oberoi's residential portfolio: A snapshot

Name of the premises	Place	Area (msf) - Total	Area (msf) – Sold	Area (msf) - Pending	Status	% completion
Exquisite	Goregaon	1.55	1.51	0.04	Completed	100.00%
Esquire	Goregaon	2.12	1.91	0.21	Completed	100.00%
Elysian	Goregaon	1.18	0.53	0.64	Ongoing	Yet to reach threshold
Prisma	Andheri	0.27	0.26	0.01	Completed	100.00%
Maxima	Andheri	0.41	0.10	0.31	Ongoing	52.00%
Eternia	Mulund	2.16	0.77	1.39	Ongoing	66.00%
Enigma	Mulund	2.03	0.69	1.33	Ongoing	62.00%
Sky City	Borivali	3.66	2.35	1.31	Ongoing	*
Three Sixty West	Worli	2.28	0.66	1.62	Ongoing	-
Esquire	Goregaon	3.40	0.00	3.40	Upcoming	-
Sky City	Borivali	0.94	0.00	0.94	Upcoming	-
Thane	Thane	12.0	0.00	12.0	Upcoming	-

Source: Company Data, Equirus * Tower A-D -79%; Tower E - 54%; Tower F- Yet to reach threshold

Bookings of ~0.9 msf (average) during FY17-FY21

Exhibit 32: Oberoi's residential space sale in last 8 years



Source: Company Data, Equirus

Blockbuster openings during the launch year itself

Given OBER's branding and quality, it has always garnered strong responses in the launch year itself, keeping future selling uncertainties at bay. Sales are done via various sources: own sales staff, channel partners and third-party brokers. The company has consistently recorded strong sales at launch year itself (Exhibit 33). OBER has sold more than 33% (average) of its inventory within a year of its project launch, clearly indicating its strong pull in strategy. A strong opening ensures healthy profitability and controlled leverage.

Strong response during the launch year itself

Exhibit 33: Blockbuster opening

Project	Project size at launch	Sales during year of launch	% sold during launch year
Exquisite	1.45	0.47	32%
Esquire	1.97	0.27	14%
Eternia	0.60	0.41	67%
Enigma	0.49	0.28	58%
Sky City	1.44	1.03	72%
Three Sixty West	1.78	0.12	7%
Prisma	0.27	0.10	36%
Elysian	1.18	0.53	45%

Source: Company Data, Equirus

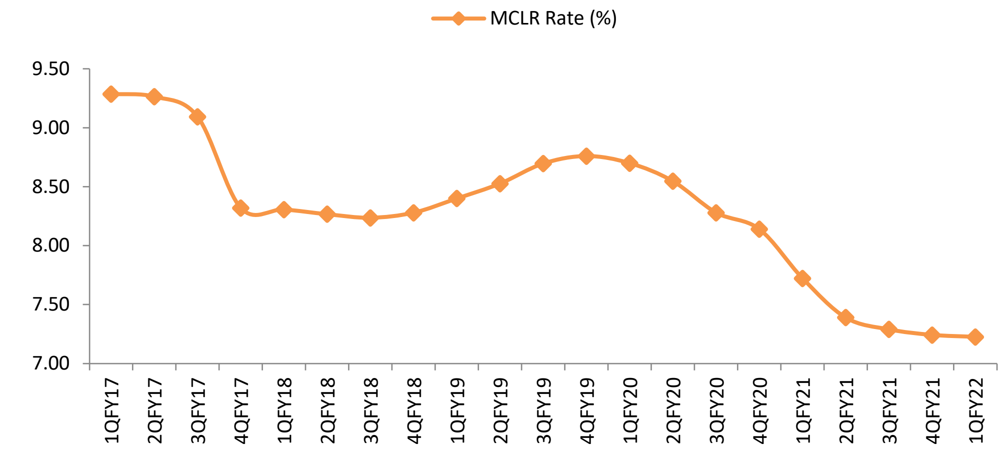
Favourable dynamics boosting growth further

Historically low lending rates

Lower home loan rates supported by RBI's accommodative stance and attractive offers leading to healthy real estate demand

Given the low lending rates scenario, overall debt burden for homebuyers has reduced significantly; this in turn has lowered overall property costs and buoyed real estate demand. RBI, for the seventh consecutive term, has kept interest rates unchanged at historic lows given its stance of 'growth over inflation'. As per industry reports, a reduction in repo rates since 2019 has led to a decline of ~217bps in the weighted average lending rate on rupee loans. MCLR of top-5 commercial banks in India over the last five years point to a downtrend in interest rates.

Exhibit 34: Trend of MCLR of top 5 commercial banks of India



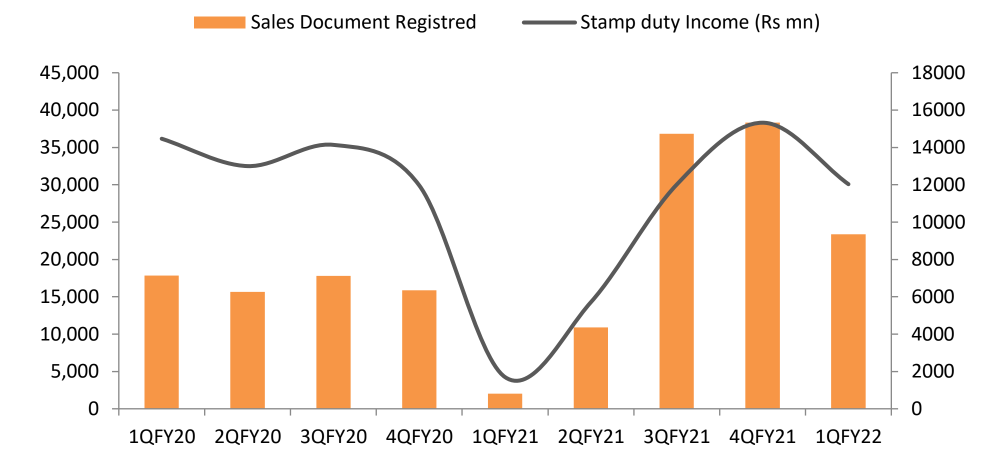
Source: RBI, Company Data, Equirus

Stamp duty cuts by state governments buoys demand

For reviving the pandemic-hit real estate sales, the Maharashtra state government in Aug'20 announced a 3% discount on stamp duty for payments made before 31 Dec'20 and a 2% discount for payments made before Mar'21. Not surprisingly, real estate demand saw strong recovery in 2HFY21; the highest ever sales were recorded in the MMR region. 3Q/4QFY21 saw one of the highest sales documents registered (36,810/38,311 in number). Property registrations dipped in 1QFY22 owing to COVID 2.0 and withdrawal of stamp duty discounts; that said, property registrations were better than the last two-year average, indicating robust underlying demand.

3Q/4QFY21 saw one of the highest sales documents registered (36,810/38,311 in number) in MMR

Exhibit 35: Sales documents registered and Stamp duty income (Mumbai)



Source: Dept. of Registration and Stamp, Govt of Maharashtra, Company Data, Equirus

Healthy project pipeline to ensure sales momentum

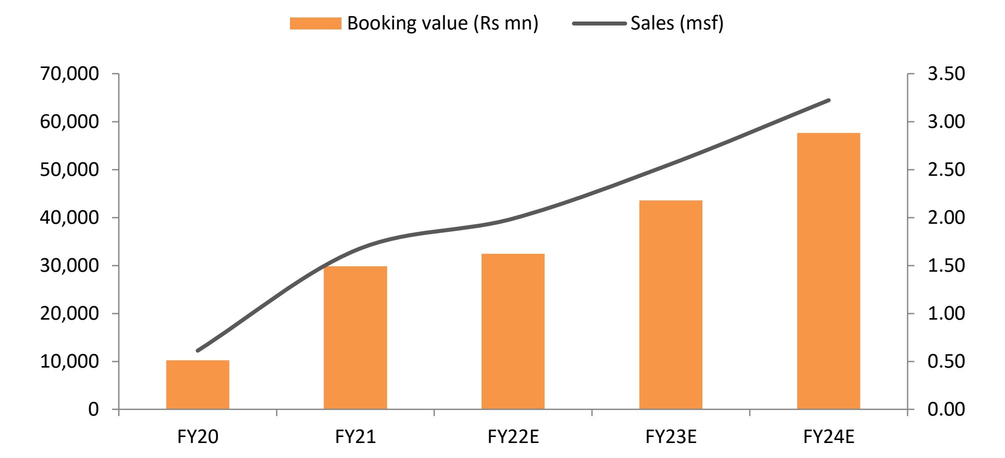
OBER has a very healthy project pipeline which will ensure sales momentum and healthy cash flow visibility over the near-to-mid-term. The company has 6 ongoing projects and 6 under the planning stage. Given healthy inventory of ~23.2mn sqft and the current outlook, we expect the strong momentum to continue. We expect the company to clock sales volume of ~7.8msf over FY22-FY24E.

Exhibit 36: Robust Project Pipeline providing cash flow visibility

Residential	Place	Total Area (msf)	Inventory (msf)	Status
Exquisite	Goregaon	1.55	0.04	Completed
Esquire	Goregaon	2.12	0.21	Completed
Elysian	Goregaon	1.18	0.64	Ongoing
Prisma	Andheri	0.27	0.01	Completed
Maxima	Andheri	0.41	0.31	Ongoing
Eternia	Mulund	2.16	1.39	Ongoing
Enigma	Mulund	2.03	1.33	Ongoing
Sky City	Borivali	3.66	1.31	Ongoing
Three Sixty West	Worli	2.28	1.62	Ongoing
Esquire	Goregaon	3.40	3.40	Planned
Sky City	Borivali	0.94	0.94	Planned
Thane (Mixed Development)	Thane	12.00	12.00	Planned
Sangan City (JV)	Pune	0.77	0.77	Planned
Malabar Hill (JV)	Malabar Hill	0.02	0.02	Planned
Tardeo (JV)	Tardeo	0.35	0.35	Planned

Source: Company Data, Equirus

Exhibit 37: Sales momentum to continue



Source: Company Data, Equirus

Commercial & hospitality business to grow ~3.6x over FY21-FY24E

Commercial segment – On cusp of a growth cycle

Despite turbulent times in the real estate space, the commercial segment stays resilient and is on the cusp of a strong growth cycle. The segment witnessed near-term disruptions due to the pandemic; however, with vaccinations gathering pace and employees resuming work from offices, there is strong underlying demand, especially for quality commercial spaces.

OBER typically follows a leasing model for its office and retail properties, ensuring stable cash flows and management of cyclical risks. The company has a strong leasing portfolio, including Commerz I & II (commercial space) and OBER Mall (retail property). Leasing portfolio enjoyed a healthy occupancy of >90% over the last five years pre-COVID; however, on account of the pandemic, the portfolio's occupancy has been affected during FY21 and is gradually showing signs of improvement.

Lease revenue to grow by 3x from Rs 3.2bn in FY21 to Rs 9.9bn in FY24

OBER currently has an operational annuity portfolio of ~1.7msf, which is likely to grow to ~6.0msf in next 2-3 years post addition of Sky-city mall and Commerz III. With space addition and improving occupancy, we expect lease revenue to grow by 3x from Rs 3.2bn in FY21 to Rs 9.9bn in FY24, giving a fillip to profitability and growth.

Exhibit 38: Oberoi's Annuity Portfolio: A snapshot

Retail / Commercial	Place	Area (msf)	Status	Expected completion date
Commerz I	Goregaon	0.31	Operational	-
Commerz II	Goregaon	0.78	Operational	-
Commerz III	Goregaon	2.80	Under Construction	March 2022
Oberoi Mall	Goregaon	0.55	Operational	-
Sky City Mall	Borivali	1.56	Under Construction	July 2022

Source: Company Data, Equirus

Commerz-I & Commerz-II

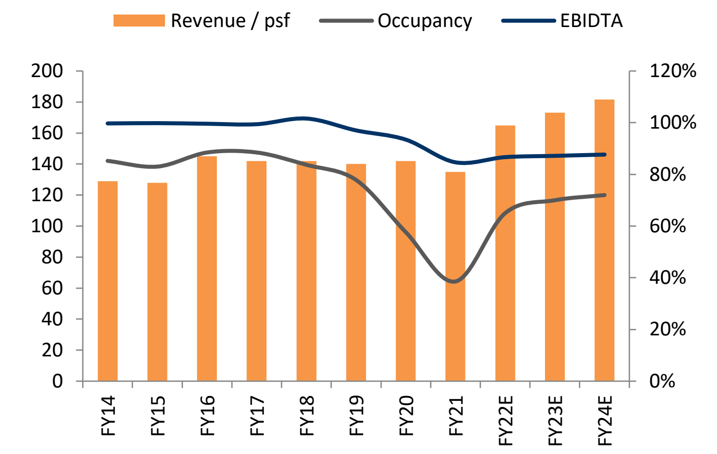
Located in Oberoi Garden City, Goregaon, Mumbai, Commerz I/II are operational commercial spaces since Mar'08/Dec'13 with an area of 0.31msf / 0.78 msf. These premises are generally given on lease on a bare shell basis, with internal fittings to be installed by the tenant. All the leased office space is leased on terms of 5-9 years, with a lock-in period generally of 3-5 years.

Commerz –III

Commerz – III is the under-construction commercial space at Oberoi Garden City, Goregaon, Mumbai with an estimated leasable area of ~2.8msf. The area of Commerz III is 2.5x of the combined area of Commerz I and Commerz III, hereby offering huge revenue potential. Commerz – III is expected to start operations from Mar'22. Note that ~1.1msf area out of ~2.8msf area is pre-leased to Morgan Stanley for the period of 9.5 years.

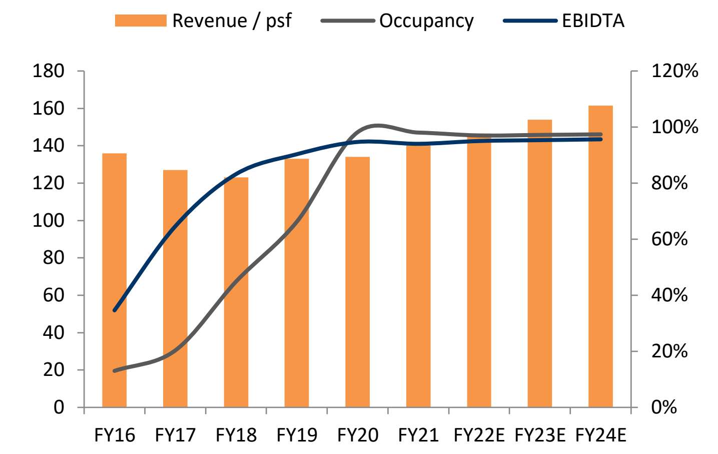
Commerz I	Commerz II
• Average occupancy rate of Commerz I remained at ~81% from FY14-FY20. Occupancy reduced to 39% in FY21 vs. 58% in FY20 as an anchor tenant moved out. • Revenue psf has slowly increased from Rs 129 in FY14 to Rs 135 in FY21 mainly on leasing of offices for longer tenure with fixed increase in rentals. • On an average EBIDTAM has remained above 90% from FY14-FY20. EBIDTAM in FY21 slipped to 85% from an average of 99% from FY14-FY20 amid higher expenses due to COVID-19. • Management expects occupancy levels to normalize by FY22E-end as most of the vacant place has been given out for a free fit-out period.	• Occupancy levels have been consistently moving upwards to 98% during FY21 and FY20 from an average occupancy rate of 36% from FY16-FY19. • Revenue psf has slowly increased from Rs 127 in FY17 to Rs 140 in FY21 mainly on leasing of offices for longer tenure with fixed increase in rentals. • EBIDTAM has remained above 90% from FY19-FY21 while booking of EBIDTAM of 94% during FY21/1QFY22.

Exhibit 39: Commerz I – Key operating metrics



Source: Company Data, Equirus

Exhibit 40: Commerz II - Key operating metrics



Source: Company Data, Equirus

Malls business – Capex plans on track despite near-term headwinds

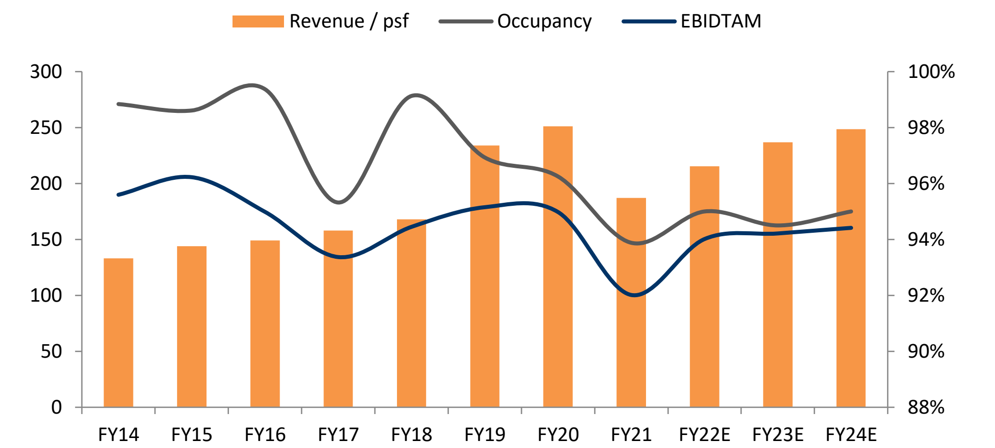
The malls business has been severely hit by the ongoing pandemic given its business dynamics. Most states have given permissions to operate malls, while a few have enforced restricted capacities and regulations. OBER has one operational mall and one under construction (to be operational by FY23E). Despite near-term headwinds, it is likely to proceed with its capex plan for the under-construction mall.

Oberoi Mall

Oberoi Mall is strategically located in Goregaon (Mumbai) with an area of 0.55msf. It operates on a lease model with fixed rentals, variable (revenue-based) rentals, fixed plus variables or fixed/variable basis. It is leased out to anchor tenants on lease terms for 5-10 years and houses premium brands like GAP, Marks & Spencer, Zara, Hamleys, Vero Moda, Arrow, Lewis and Ethos. OBER has been consistently enjoying occupancy levels of 96%+ from FY18-FY20. The mall's occupancy levels dipped marginally to 94% during FY21 due to the pandemic. Oberoi Mall enjoys operating margins of 95%+ and despite the pandemic, clocked 92% margins in FY21. Even as FY21 was a tough year, OBER reported healthy occupancy and profitability; these metrics are expected to be on track as the pandemic subsides.

OBER has been consistently enjoying occupancy levels of 96%+ from FY18-FY20

Exhibit 41: Occupancy levels to regain lost ground



Source: Company Data, Equirus

Sky City Mall

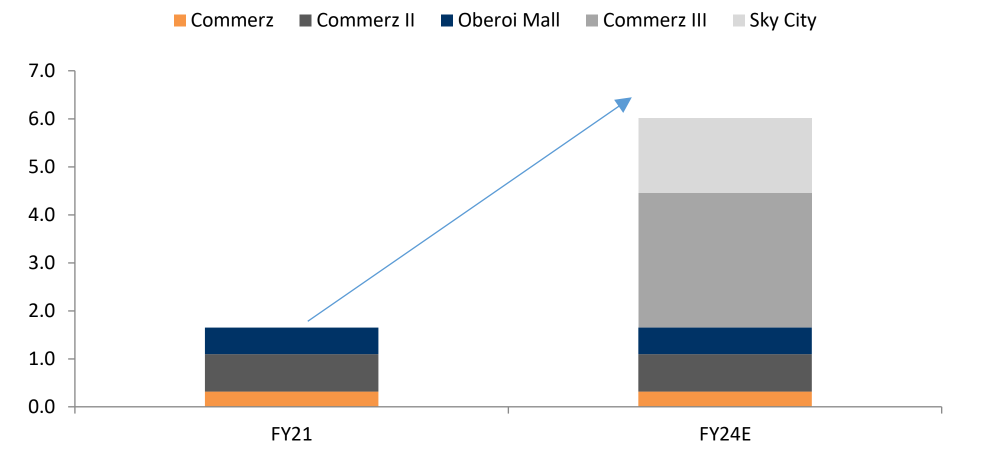
Located at Borivali, Mumbai, Sky City Mall is an under-construction retail complex with a total leasable area of ~1.6msf. It is expected to get completed by Jul'22. It is anticipated that it will be leased out on fixed rentals, variable (revenue-based) rentals, fixed plus variable or fixed or variable basis. It is leased out to anchor tenants on lease terms for 5-10 years.

Sizeable annuity portfolio post addition of commercial & mall assets

Lease revenue from the commercial space to jump ~3x to ~Rs 9.9bn in FY24E from ~Rs 3.2bn in FY21

OBER is currently operating an annuity portfolio of ~1.7msf and with the addition of commercial (~2.8 msf) and mall assets (1.6 msf), this portfolio should touch a whopping ~6.0msf. Once both assets become operational by FY22E/FY23E, overall lease revenue from the commercial space is expected to see a quantum jump by ~3x to ~Rs 9.9bn in FY24E from ~Rs 3.2bn in FY21.

Exhibit 42: Lease portfolio FY21–FY24E (area in msf)

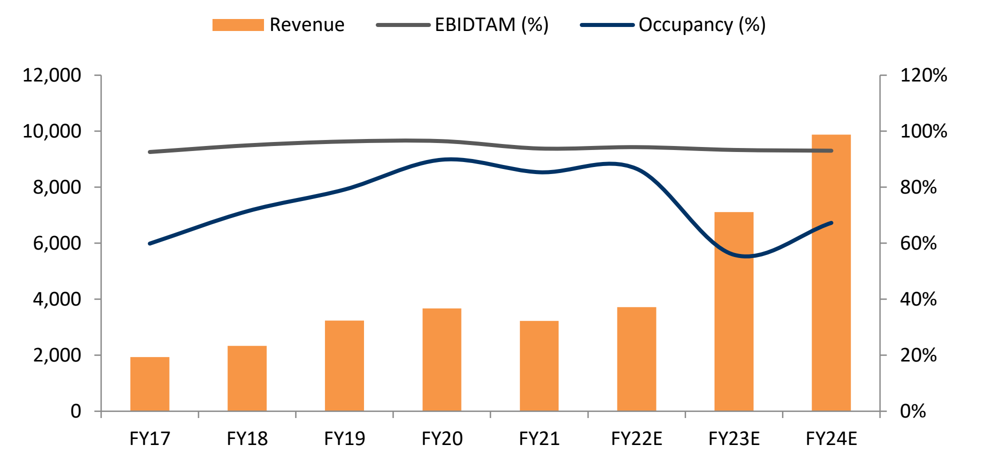


Source: Company Data, Equirus

Lease revenues to increase; EBITDAM to be maintained at ~90%+ levels

With the addition of assets to the portfolio and gradually increasing occupancy levels for newer assets, OBER's leasing revenues are expected to increase from Rs 3.2bn during FY21 to Rs 9.9bn during FY24E. EBIDTAM is set to remain above 90% while occupancy would be hit on account of lower occupancy for newer assets during the initial phase.

Exhibit 43: Lease portfolio rental, occupancy level and EBIDTAM



Source: Company Data, Equirus

Hotels segment – To emerge stronger

Hotels has also been amongst the most affected segments due to the pandemic. Moreover, the fixed nature of business has dragged down segment profitability. With the pandemic subsiding and lockdown rules being relaxed, the hotels segment is witnessing strong traction with occupancy levels for most hotels back to pre-COVID levels and average rentals either similar or higher.

Once both hotels are operational, OBER will have ~520 keys with an average ARR of ~10,400 for FY23E

Exhibit 44: Oberoi's Hotel Portfolio: A snapshot

Hotels	Place	Keys	Status	Expected completion date
The Westin Mumbai Garden City	Goregaon	269	Operational	-
Ritz Carlton	Worli	250	Under Construction	October 01, 2022

Source: Company Data, Equirus

The Westin Mumbai Garden City

Located in Goregaon, The Westin Mumbai Garden City has commenced operations on May 1, 2010. It has 269 rooms with total area of 0.4msf. The Westin Mumbai Garden City is operated and managed by Starwood Asia Pacific Hotels & Resorts Pte Ltd, a subsidiary of Marriott International, Inc., under the Westin brand, on an operating agreement model.

The Westin Mumbai Garden City's operations have been affected to a greater extent during FY21 due to Covid - 19. Revenue of Westin reduced by 75% yoy to Rs 317mn during FY21. Recovery is expected during FY22E. However, it is not expected to reach to pre-covid level during FY22 as 1QFY22 has been badly affected (Revenue – Rs 78mn / EBIDTA – Loss Rs 27mn) due to second wave of Covid - 19.

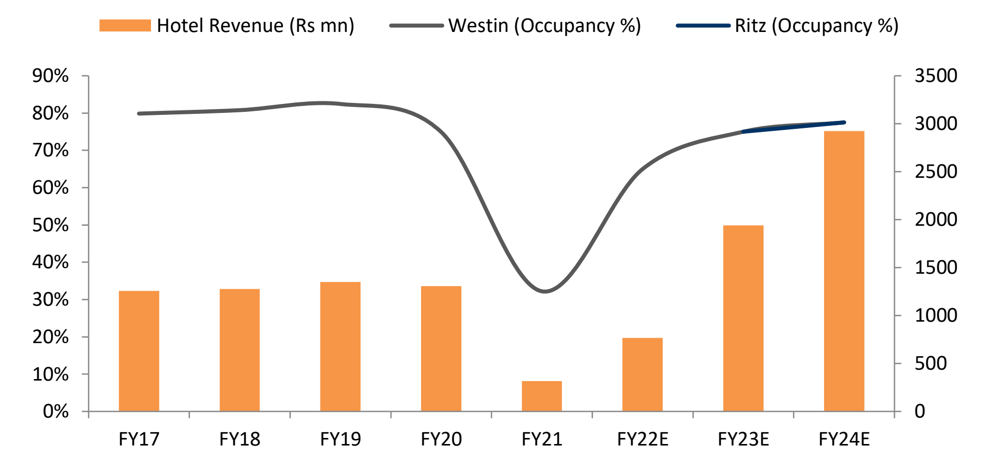
Ritz Carlton

Located in Worli, Ritz Carlton is expected to commence operations from Oct'22. It will have 250 rooms with a total area of 0.3msf. The Ritz Carlton will be operated and managed by Starwood Asia Pacific Hotels & Resorts, a subsidiary of Marriott International, Inc., under the Ritz-Carlton brand, on an operating agreement model.

Once both are operational, OBER will have ~520 keys put together with an average ARR of ~Rs10400 for FY23E. The company's hotel business revenues are expected to grow from Rs 317mn during FY21 to Rs 2.9bn during FY24E.

Hotels to bounce back stronger in near-to-mid-term with increased occupancy levels

Exhibit 45: Hotels business – key metrics



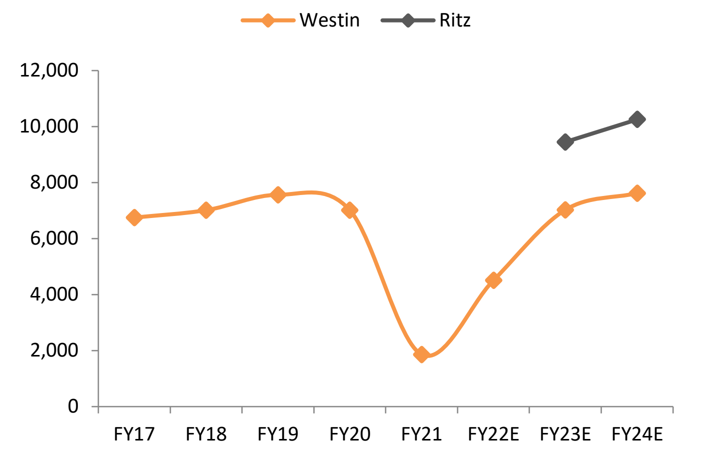
Source: Company Data, Equirus

EBIDTAM hit by lower occupancy levels in FY21

EBIDTA fell from Rs 447mn in FY20 to a loss of Rs 52mn in FY21, but is set to bounce back to pre-COVID levels

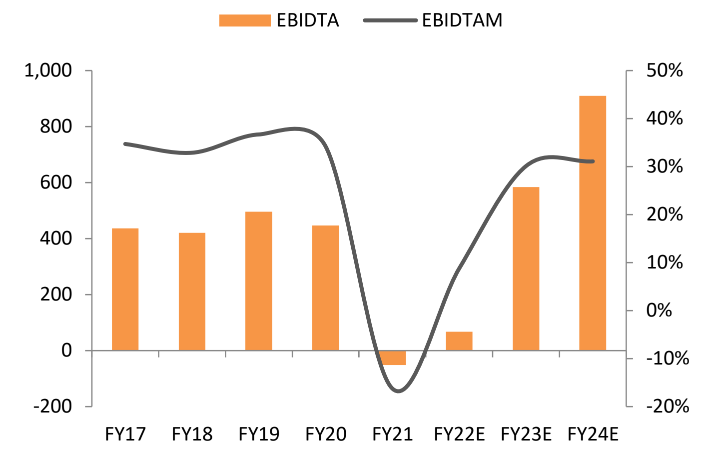
As against a revenue decline of ~75% during FY21, OBER saved 57% of its expenses during FY21 owing to the variable nature of expenses. Clearly, with expenses going down but not in terms of the proportion of income (given the revenue decline), EBIDTA was affected – from Rs 447mn in FY20 to a loss of Rs 52mn in FY21 – due to the fixed nature of some expenses. We expect EBIDTA to bounce back with expectations of increased occupancy levels along with operationalization of Ritz Carlton. We forecast an EBIDTA of Rs 909mn during FY24E.

Exhibit 46: Revenue per available room (RevPAR)



Source: Company Data, Equirus

Exhibit 47: EBIDTA and EBIDTAM to be largely back to pre-covid levels



Source: Company Data, Equirus

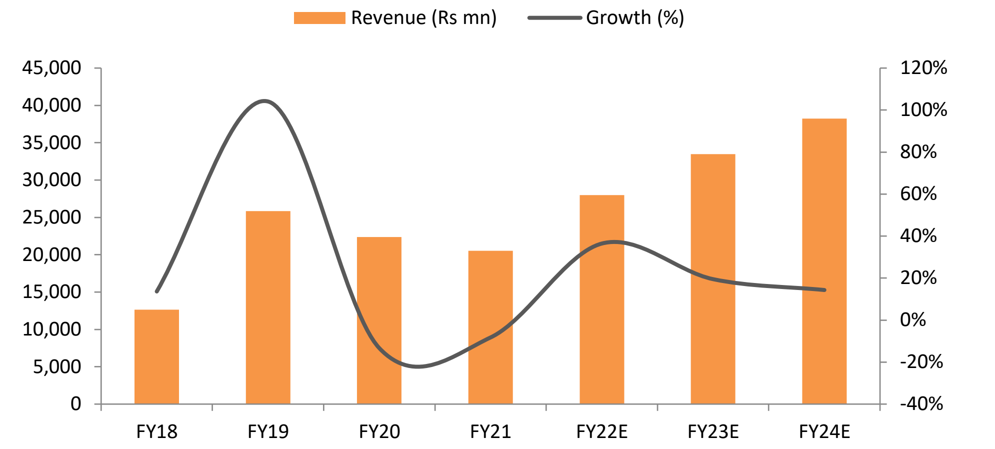
Financial Profile

Revenue to grow at ~23% CAGR over FY21-FY24E

Revenues to witness strong growth as leasing and hotel segment operations normalise

We expect OBER's revenues to grow from Rs 20.5bn in FY21 to Rs 38.3bn in FY24E, implying a ~23% CAGR. Growth is likely to be led by residential projects and annuity income growth from upcoming commercial and retail businesses.

Exhibit 48: Revenue & revenue growth trends



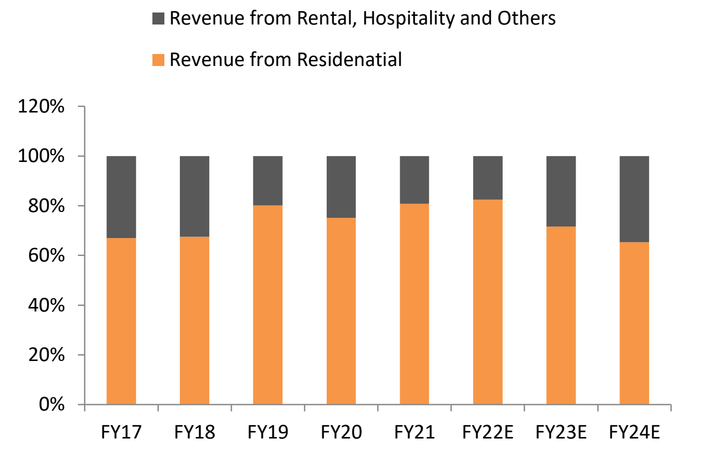
Source: Company Data, Equirus

EBITDA to grow at a ~26% CAGR over FY21-FY24E

EBIDTAM to improve on the back of changes in revenue mix

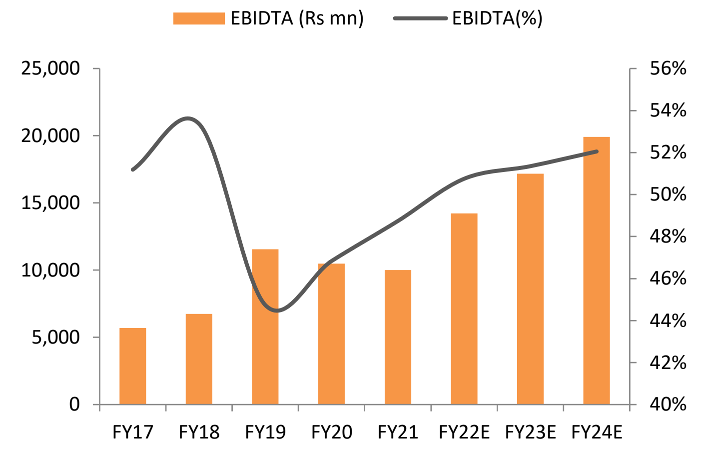
OBER's average EBIDTA margin stood ~49% during the last 5 years. Historically, the company has enjoyed high EBITDA margins due to its presence at attractive locations and ability to command a premium given destination-based development. We expect EBITDA to improve to 52% by FY24E due to higher contribution from better margin hospitality business (Revenue from rental, hospitality and others as % of total revenue will increase from 19% during FY21 to 35% during FY24E.). We expect EBIDTA to grow from Rs 10.0bn in FY21 to Rs 19.9bn in FY24E, implying a CAGR of ~26%. Growth is likely to be led by revenue growth and higher contribution from the hospitality business.

Exhibit 49: Rental and Hospitality revenue's share to increase



Source: Company Data, Equirus

Exhibit 50: EBIDTA and EBIDTAM trends



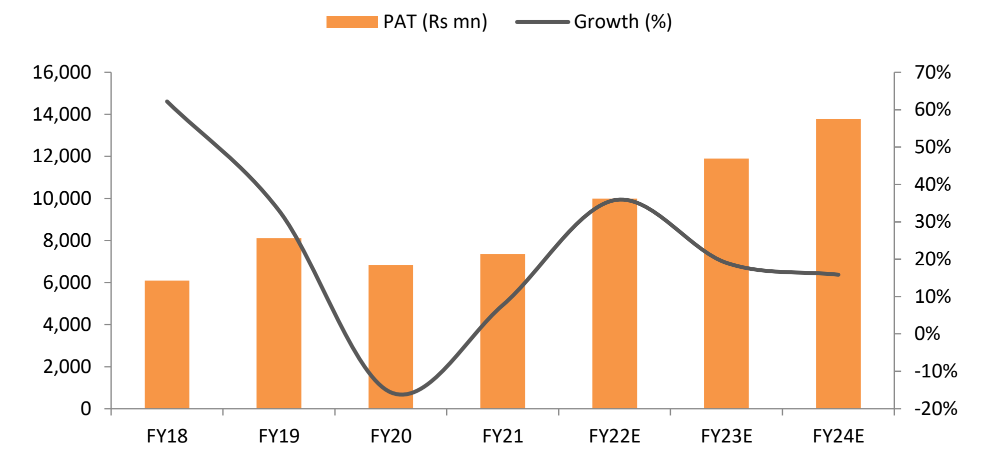
Source: Company Data, Equirus

PAT to clock ~23% CAGR over FY21-FY24E

We expect OBER to report a ~23% PAT CAGR over FY21-FY24E, from Rs 7.4bn in FY21 to Rs 13.8bn in FY24E driven by (1) strong contribution from the residential vertical and (2) higher rental income with increased occupancy in properties along with addition of properties.

PAT growth to be driven by the residential vertical and higher rental income

Exhibit 51: PAT to grow at healthy rate



Source: Company Data, Equirus

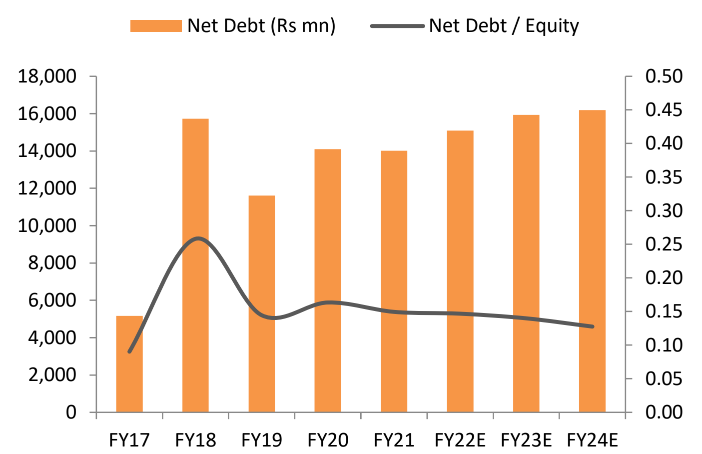
Healthy balance sheet provides comfort for growth

OBER enjoys a strong balance sheet with low net debt, enabling the company to purchase large land parcels on debt to foster growth. Moreover, robust cash flow visibility from projects and negligible gross debt provides OBER good financial flexibility to expand its landbank via value-accretive acquisitions.

Healthy balance sheet and robust cash visibility from projects – key positives

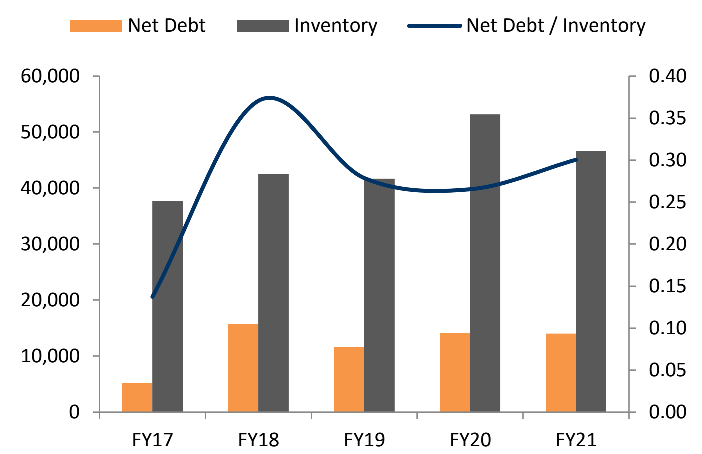
Despite continuous increase in inventory with a pick-up in construction activities, net debt/inventory has remained under control and largely below 0.3x.

Exhibit 52: Low net debt to equity



Source: Company Data, Equirus

Exhibit 53: Net debt to inventory



Source: Company Data, Equirus

Valuation & view

Given OBER's strong pipeline in the high-growth MMR region, a sizeable annuity portfolio and lean B/S, we believe the company is well placed to capitalize on the upcoming real estate boom. We expect a 23%/23% revenue/PAT CAGR over FY21-FY24E. Initiate with a LONG with a SOTP-based Sep'22 TP of Rs 914. We value the residential business on an DCF basis, Leasing business on a cap rate and Hospitality business on EV/EBITDA basis.

Exhibit 54: SOTP Valuation

NAV Calculation	Methodology	Rate / Multiple	Rs Mn	Per Share (Rs)
Residential	DCF	11.5%	2,07,416	570
Leasing - Offices and Malls	Cap rate	7%	1,28,370	353
Hospitality	EV / EBIDTA	15x	11,721	32
Gross Asset Value			3,47,506	956
Less: Net Debt			(15,137)	(42)
Net Asset Value			3,32,369	914
CMP				774
Upside				18%

Source: Company Data, Equirus

Key Risks

Geographical concentration risk

Know-how of the local area is the major positive for players like Oberoi. However, Oberoi's concentrated operation in the Mumbai Metropolitan region exposes the company to a geographic concentration risk. Further, the projects of the company are in the premium segment which makes it susceptible to economic downturns. However, on account of its strong market position, OBER commands a premium over its competitors and has been able to sell its projects at attractive price points. However, less diversification could have an impact on Oberoi's project monetization and ability to command premium pricing.

Macro-economic risk

Any decline in property prices could exert pressure on the real estate market. Further, there is uncertainty about events such as government policy changes, market movements and in general demographic preferences, which could cause considerable damage to players operating in the real estate industry.

Change in interest rates

Interest rates play a pivotal role in real estate and are one of the key demand boosters. Any adverse movement in interest rates can lead to a reduction in demand and impact the industry and the company's growth prospects. However, given the consumer mix and ticket size OBER caters to, we believe OBER would be least impacted on account of adverse movement in interest rates.

Pandemic related disruptions

Covid-19 related challenges continue to persist and can negatively impact the industry by a) reducing overall demand due to future uncertainties b) strict lockdowns which can impact sales and reduction in labour force. However, vaccines could play an important role in containing and reducing the effects of pandemic.

Operational risk

Oberoi's ability to develop projects is dependent on the turnkey contracts that are agreed upon with contractors. Despite all due diligence, there may be issues outside the control of the company which can hamper project development. In addition, there may be labour disputes and work stoppages which may disrupt operations and lead to a loss of brand credibility. These operational risks can impact the company adversely.

Model Tenancy act

Cabinet has just passed the model tenancy act which aims to increase the supply in the residential real estate market. However, this is just model act, and it would be up to the states to decide whether to implement it or not. Media reports suggests Maharashtra state is unlikely to implement the same.

Company Snapshot

How we differ from consensus

Particular (Rs Mn)		Equirus	Consensus	% Diff	Comment
EPS	FY22E	28	30	-8%	
	FY23E	33	33	-1%	
Sales	FY22E	28,006	28,075	0%	
	FY23E	33,461	34,130	-2%	
PAT	FY22E	10,044	10,938	-8%	
	FY23E	11,944	12,050	-1%	

Source: Bloomberg, Company Data, Equirus

Key Estimates

Key Assumptions	FY21A	FY22E	FY23E	FY24E
Revenues	20526	28006	33461	38251
EBITDAM %	49%	51%	51%	52%
PATM %	36%	36%	36%	36%

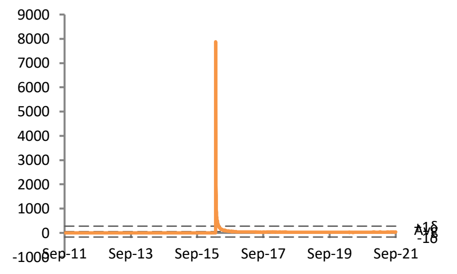
Source: Company Data, Equirus

Comparable valuation

Company	Reco.	CMP	Mkt Cap Rs. Mn.	Price Target	Target Date	P/E			P/ABV			RoA			RoE			Div Yield
						FY21A	FY22E	FY23E	FY21A	FY22E	FY23E	FY21A	FY22E	FY23E	FY21A	FY22E	FY23E	FY21A
Oberoi Realty	LONG	774	2,81,501	914	Sep'22	38.0	28.0	23.6	3.0	2.7	2.5	6%	8%	8%	8%	10%	11%	0.0%
Godrej Properties	NA	1,583	4,40,157	NA	NA	NA	117.1	66.8	5.3	5.1	4.8	-1%	0%	1%	-3%	4%	7%	0.0%
Macrotech Developer	NA	1,051	4,70,288	NA	NA	NA	43.8	33.7	9.1	5.8	4.8	0%	3%	4%	1%	16%	15%	0.0%
Mahindra Lifespace	NA	838	43,073	NA	NA	NA	NA	35.0	2.6	2.7	2.5	-3%	NA	NA	-4%	-1%	7%	0.0%
Sobha	NA	794	75,308	NA	NA	119.5	24.7	19.0	3.1	2.8	2.5	1%	5%	5%	3%	12%	14%	0.5%

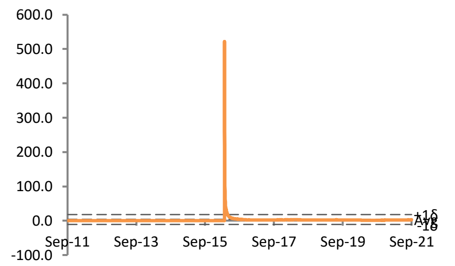
Source: Bloomberg, Company Data, Equirus

Price to earning chart



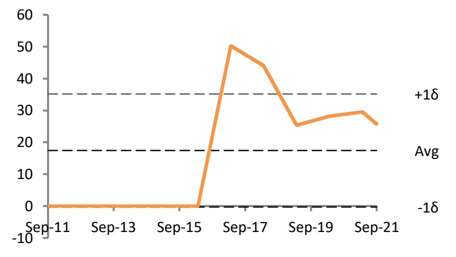
Source: Company, Equirus Research

Price to book chart



Source: Company, Equirus Research

EV-EBITDA chart



Source: Company, Equirus Research

Quarterly performance

Y/E Mar (Rs mn)	1QFY21A	2QFY21A	3QFY21A	4QFY21A	1QFY22A	2QFY22E	3QFY22E	4QFY22E
Revenue	**1,180**	**3,161**	**8,284**	**7,901**	**2,843**	**6,722**	**8,682**	**9,760**
COGS	403	1,075	3,736	3,694	1,320	2,789	3,603	4,050
Employee Cost	117	101	147	125	156	112	144	162
Other Expenses	81	119	576	347	118	358	462	519
EBITDA	**579**	**1,865**	**3,825**	**3,735**	**1,249**	**3,463**	**4,473**	**5,029**
Depreciation	106	103	103	100	101	148	191	214
EBIT	**474**	**1,762**	**3,721**	**3,635**	**1,148**	**3,315**	**4,282**	**4,815**
Interest Exp.	179	182	202	197	173	151	155	158
Other Income	88	92	92	108	105	87	113	129
Profit before Tax	**383**	**1,672**	**3,611**	**3,545**	**1,080**	**3,251**	**4,240**	**4,786**
Tax Expenses	117	311	743	680	290	818	1,065	1,189
Profit After Tax	**266**	**1,361**	**2,868**	**2,865**	**790**	**2,433**	**3,175**	**3,597**
Minority Interest	0	0	0	0	0	0	0	0
Profit/(Loss) from Associates	15	16	(2)	3	17	10	10	12
Recurring PAT	**281**	**1,377**	**2,867**	**2,869**	**806**	**2,443**	**3,186**	**3,609**
Exceptional Items	0	0	0	0	0	0	0	0
Reported PAT	**281**	**1,377**	**2,867**	**2,869**	**806**	**2,443**	**3,186**	**3,609**
Other comprehensive income.	12	6	(2)	6	2	0	0	0
PAT after comp. income.	**293**	**1,384**	**2,864**	**2,875**	**808**	**2,443**	**3,186**	**3,609**
FDEPS	**0.8**	**3.8**	**7.9**	**7.9**	**2.2**	**6.7**	**8.8**	**9.9**
Cost items as % of sales								
RM expenses	34.1	34.0	45.1	46.7	46.4	41.5	41.5	41.5
Employee expenses	9.9	3.2	1.8	1.6	5.5	1.7	1.7	1.7
Other expenses	6.8	3.8	6.9	4.4	4.1	5.3	5.3	5.3
Margin (%)								
Gross Margin	65.9	66.0	54.9	53.3	53.6	58.5	58.5	58.5
EBITDA Margin	49.1	59.0	46.2	47.3	43.9	51.5	51.5	51.5
PAT Margin	24.8	43.8	34.6	36.4	28.4	36.3	36.7	37.0
YoY Growth (%)								
Sales	(80.4)	(35.7)	57.1	28.4	140.8	112.7	4.8	23.5
EBITDA	(75.4)	(12.4)	66.3	0.8	115.5	85.7	16.9	34.6
EBIT	(78.9)	(12.6)	70.2	1.2	142.3	88.1	15.1	32.5
PAT	(82.4)	(0.4)	95.9	14.8	197.0	78.7	10.7	25.5

Key Financials (Consolidated)

Income Statement

Y/E Mar (Rs mn)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	12,654	25,825	22,376	20,526	28,006	33,461	38,251
COGS	4,679	12,472	10,357	8,908	11,763	13,886	15,683
Employee Cost	672	734	642	491	574	669	727
Other Expenses	551	1,066	897	1,122	1,456	1,723	1,932
EBITDA	6,753	11,554	10,480	10,004	14,213	17,182	19,910
Depreciation	491	440	449	412	653	1,106	1,323
EBIT	6,262	11,113	10,031	9,592	13,560	16,077	18,587
Interest Exp.	81	194	885	760	637	715	783
Other Income	266	787	484	380	434	535	612
Profit before Tax	6,447	11,707	9,630	9,212	13,357	15,897	18,415
Tax Expenses	357	3,607	2,796	1,851	3,362	4,001	4,635
Profit After Tax	6,090	8,100	6,834	7,360	9,995	11,896	13,780
Minority Interest	0	0	0	0	0	0	0
Profit/(Loss) from Associates	36	69	59	33	49	49	49
Recurring PAT	6,126	8,169	6,893	7,393	10,044	11,944	13,829
Exceptional Items	0	0	0	0	0	0	0
Reported PAT	6,126	8,169	6,893	7,393	10,044	11,944	13,829
Other comprehensive income.	12	6	(1)	23	0	0	0
PAT after comp. income.	6,138	8,176	6,892	7,415	10,044	11,944	13,829
FDEPS	18.1	22.5	19.0	20.4	27.6	32.8	38.0
DPS	2	2	2	0	2	2	2
BVPS	179	221	237	258	283	313	349

yoy Growth (%)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Sales	13.6	104.1	(13.4)	(8.3)	36.4	19.5	14.3
EBITDA	18.5	71.1	(9.3)	(4.5)	42.1	20.9	15.9
EBIT	20.3	77.5	(9.7)	(4.4)	41.4	18.6	15.6
PAT	61.8	33.4	(15.6)	7.2	35.9	18.9	15.8

Key Ratios

Profitability (%)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Gross Margin	63.0	51.7	53.7	56.6	58.0	58.5	59.0
EBITDA Margin	53.4	44.7	46.8	48.7	50.7	51.3	52.1
PAT Margin	48.5	31.7	30.8	36.1	35.9	35.7	36.2
ROE	10.4	11.6	8.3	8.2	10.2	11.0	11.5
ROIC	8.6	9.5	7.6	7.6	9.1	9.8	10.2
Core ROIC	8.7	9.7	7.6	7.7	9.2	9.9	10.4
Dividend Payout	8.3	10.5	9.8	0.0	7.2	6.1	5.3

CAGR (%)		1 year	2 years	3 years	5 years	7 years	10 years
Revenue		(8.3)	(10.8)	17.5	0.0	0.0	0.0
EBITDA		(4.5)	(6.9)	14.0	0.0	0.0	0.0
PAT		7.2	(4.9)	6.5	0.0	0.0	0.0

Valuation (x)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
P/E	42.8	34.4	40.8	38.0	28.0	23.6	20.4
P/B	4.3	3.5	3.3	3.0	2.7	2.5	2.2
P/FCFF	(100.7)	(1,122.2)	(55.5)	(45.3)	578.6	392.0	217.3
EV/EBITDA	44.0	25.4	28.2	29.5	20.9	17.3	15.0
EV/Sales	23.5	11.3	13.2	14.4	10.6	8.9	7.8
Dividend Yield (%)	0.3	0.3	0.3	0.0	0.3	0.3	0.3

Balance Sheet

Y/E Mar (Rs mn)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Equity Capital	3,396	3,636	3,636	3,636	3,636	3,636	3,636
Reserves	57,528	76,656	82,659	90,055	99,224	1,10,293	1,23,247
Net Worth	**60,924**	**80,292**	**86,295**	**93,691**	**1,02,860**	**1,13,929**	**1,26,883**
Total Debt	16,941	15,858	15,188	15,338	17,338	19,338	20,838
Other long term liabilities	984	1,498	1,558	1,851	2,509	2,896	3,199
Minority Interest	0	0	0	0	0	0	0
Account Payables	1,617	2,323	859	938	1,128	1,255	1,289
Other Current Liabilities	21,373	10,896	8,029	8,369	11,137	12,847	14,160
Total Liabilities	**1,01,839**	**1,11,126**	**1,12,214**	**1,20,536**	**1,35,320**	**1,50,613**	**1,66,717**
Gross Fixed Assets	11,210	12,499	12,784	12,850	20,850	32,850	38,650
Acc. Depreciation	1,470	1,900	2,338	2,734	3,387	4,493	5,816
Net Fixed Assets	9,740	10,599	10,446	10,116	17,463	28,357	32,835
Capital WIP	1,126	1,261	3,049	19,797	14,797	9,797	4,797
long term investments	24,066	25,989	22,621	15,094	15,594	16,094	16,594
Others	135	3,388	1,441	1,102	1,102	1,102	1,102
Inventory	42,467	41,655	53,173	46,626	52,176	57,755	68,118
Receivables	1,813	1,094	1,152	1,280	1,688	1,833	2,096
Loans and advances	1,573	2,662	3,099	3,713	4,220	4,584	6,078
Other current assets	18,599	18,909	15,192	20,577	25,140	26,788	29,546
Cash & Cash Equivalents.	1,208	4,253	1,083	1,331	2,239	3,402	4,651
Total Assets	**1,01,839**	**1,11,127**	**1,12,214**	**1,20,536**	**1,35,320**	**1,50,613**	**1,66,717**
Non-Cash WC	41,462	51,101	63,729	62,888	70,959	76,858	90,389
Cash Conv. Cycle	3,079.9	1,193.8	1,633.2	2,029.3	1,520.2	1,432.6	1,453.9
WC Turnover	0.3	0.5	0.4	0.3	0.4	0.4	0.4
Gross Asset Turnover	1.1	2.1	1.8	1.6	1.3	1.0	1.0
Net Asset Turnover	1.2	2.2	1.7	0.7	0.9	0.9	1.0
Net D/E	0.3	0.1	0.2	0.1	0.1	0.1	0.1

Days (x)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Receivable Days	41	21	18	22	19	19	19
Inventory Days	3,125	1,231	1,671	2,045	1,533	1,445	1,465
Payable Days	87	58	56	37	32	31	30
Non-cash WC days	1,196	722	1,040	1,118	925	838	863

Cash Flow

Y/E Mar (Rs mn)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Profit Before Tax	6,495	11,776	9,689	9,244	13,357	15,897	18,415
Depreciation	491	440	449	412	653	1,106	1,323
Others	(17)	(269)	(49)	(23)	49	49	49
Tax paid	(2,108)	(3,243)	(2,221)	(2,031)	(3,362)	(4,001)	(4,635)
Change in WC	(6,753)	(6,997)	(11,204)	(998)	(7,414)	(5,512)	(13,228)
Operating Cashflow	**(2,022)**	**1,456**	**(2,820)**	**7,025**	**3,487**	**7,718**	**2,095**
Capex	(773)	(1,706)	(2,257)	(13,237)	(3,000)	(7,000)	(800)
Change in Invest.	(7,408)	(2,123)	3,207	7,195	(500)	(500)	(500)
Others	2,262	(2,628)	2,634	68	434	535	612
Investing Cashflow	**(5,919)**	**(6,458)**	**3,584**	**(5,975)**	**(3,066)**	**(6,965)**	**(688)**
Change in Debt	8,306	(1,103)	(508)	316	2,000	2,000	1,500
Change in Equity	17	11,827	0	0	0	0	0
Others	(2,691)	(2,678)	(3,427)	(1,119)	(1,512)	(1,590)	(1,659)
Financing Cashflow	**5,632**	**8,047**	**(3,934)**	**(803)**	**488**	**410**	**(159)**
Net Change in Cash	**(2,308)**	**3,045**	**(3,170)**	**247**	**908**	**1,163**	**1,249**

Source: Company, Equirus Research

Rating & Coverage Definitions: Absolute Rating • LONG : Over the investment horizon, ATR >= Ke for companies with Free Float market cap >Rs 5 billion and ATR >= 20% for rest of the companies • ADD: ATR >= 5% but less than Ke over investment horizon • REDUCE: ATR >= negative 10% but <5% over investment horizon • SHORT: ATR < negative 10% over investment horizon Relative Rating • OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon • BENCHMARK: likely to perform in line with the benchmark • UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon Investment Horizon Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter.	Registered Office: Equirus Securities Private Limited Unit No. A2102B, 21st Floor, A Wing, Marathon Futurex, N M Joshi Marg, Lower Parel, Mumbai-400013. Tel. No: +91 – (0)22 – 4332 0600 Fax No: +91- (0)22 – 4332 0601 Corporate Office: 3rd floor, House No. 9, Magnet Corporate Park, Near Zydus Hospital, B/H Intas Sola Bridge, S.G. Highway Ahmedabad-380054 Gujarat Tel. No: +91 (0)79 - 6190 9550 Fax No: +91 (0)79 – 6190 9560

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