

## Real Estate

### Company update and rating/TP change

Target price: Rs938

Target price revision

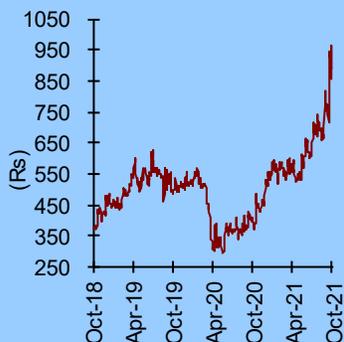
Rs938 from Rs792

### Shareholding pattern

	Dec '20	Mar '21	Jun '21
Promoters	67.7	67.7	67.7
Institutional investors	30.0	29.7	29.6
MFs and other	4.2	4.4	4.8
FIs/Banks	0.2	0.5	1.2
FIIIs	25.6	24.8	23.6
Others	2.3	2.6	2.7

Source: NSE

### Price chart



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INDIA

**ICICI Securities**

# Oberoi Realty

**HOLD**

Downgrade from BUY

Strong sustenance sales ahead of festive season

**Rs937**

As per its maiden operations update, Oberoi Realty (OBER) has clocked Q2FY22 sales bookings of Rs8.3bn with no new launches and this performance is close to Q4FY21 sustenance sales which were at Rs9.7bn excluding Elysian Goregaon launch. OBER is targeting launches in H2FY22 across Thane and Borivali/Goregaon and other ongoing projects to coincide with the festive season. While exact timing and quantum of launches is awaited, we expect OBER to clock at least Rs35bn of sales bookings in FY22E and over Rs45bn each in FY23-24E owing to new launches and inventory in Worli/Mulund/Borivali projects. We revise our target price to Rs938/share (earlier Rs792) assuming faster pace of sales across projects and higher premium to NAV of 20% vs. 10% earlier considering growth opportunities. However, we downgrade our rating to HOLD from BUY considering the 43% appreciation in stock price over the last three months. Key upside risk is higher than expected price increase while key downside risk is a decline in demand for residential properties.

- Strong sustenance sales reflected in Q2FY22 operational performance:** While OBER clocked Q1FY22 sales bookings of Rs1.7bn, it has seen a strong rebound in Q2FY22 with sales of 0.44msf worth Rs8.3bn across 200 units. Considering the weak base of Q2FY21 and Q1FY22, it is better to compare this performance to Q4FY21 where the company had clocked sales bookings of Rs19.6bn of which Rs9.9bn had come from Elysian while Rs9.7bn had come from sustenance sales. Hence, the Q2FY22 sales of Rs8.3bn is impressive considering no new launches and the Occupation Certificate (OC) for 360 West, Worli project expected in Q3FY22.
- All eyes on new launches in H2FY22:** OBER is targeting launches in H2FY22 across Thane (expected in Nov'21) and Borivali/Goregaon and other ongoing projects once lockdowns are eased. While exact timing and quantum of launches is awaited, we expect OBER to clock at least Rs35bn of sales bookings in FY22E and over Rs45bn each in FY23-24E owing to new launches and completed/near completion inventory in Worli/Mulund/Borivali projects. In the annuity business, while OBER remains on track to reach Rs10bn of exit rental income by Mar'24 with Commerz III office and Borivali mall expected to commence operations, FY22 is likely to be a muted year for existing offices and malls owing to continued Work-from-Home impact and intermittent mall shutdowns.
- Company to focus on society redevelopment projects going forward:** As per OBER's management, the company is gearing up to enter the society redevelopment market in Mumbai and has already hired a few key personnel to drive this initiative forward. The company is looking at projects having a revenue potential of at least Rs5-7bn each and is in the process of finalising an agreement with Shivshahi society in Worli as the first such project under this vertical.

Market Cap	Rs341bn/US\$4.5bn	Year to Mar	FY21	FY22E	FY23E	FY24E
Reuters/Bloomberg	OEBO.BO / OBER IN	Revenue (Rs bn)	20.5	23.3	37.3	45.6
Shares Outstanding (mn)	363.6	Rec. Net Income (Rs bn)	7.4	10.2	13.6	17.2
52-week Range (Rs)	989/370	EPS (Rs)	20.4	28.2	37.4	47.3
Free Float (%)	33.3	% Chg YoY	7.2	38.6	32.5	26.7
FII (%)	23.6	P/E (x)	46.0	33.2	25.1	19.8
Daily Volume (US\$/'000)	10832	P/B (x)	3.6	3.3	2.9	2.5
Absolute Return 3m (%)	43.3	EV/E (x)	35.4	29.5	18.4	13.8
Absolute Return 12m (%)	135.1	Dividend yield (%)	-	-	-	-
Sensex Return 3m (%)	12.7	RoCE (%)	11.8	11.6	16.2	18.7
Sensex Return 12m (%)	51.2	RoE (%)	8.2	6.9	10.0	11.8

**Table 1: Quarterly sales volume trends**

Quarterly Sales Performance	Q2FY20	Q3FY20	Q4FY20	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Project sales – mn sq ft</b>							
Oberoi Esquire	0.02	0.03	0.02	0.01	0.11	0.06	0.01
Oberoi Exquisite	-	0.02	0.01	0.02	0.01	0.01	0.01
Oasis Residential, Worli	0.04	0.01	-	0.02	0.02	0.01	-
Priviera, Khar	-	-	-	-	-	-	-
Oberoi Prisma, JVLR	0.01	0.00	0.01	-	-	-	0.00
Oberoi Maxima, JVLR	-	0.01	0.01	-	0.04	0.04	0.01
Eternia, Mulund	0.02	0.01	0.02	0.01	0.05	0.05	0.01
Enigma, Mulund	0.01	0.01	0.01	0.02	0.10	0.10	0.01
Sky City, Borivali	0.05	0.06	0.05	0.04	0.17	0.26	0.03
Oberoi Elysian	-	-	-	-	-	0.53	0.01
<b>Total</b>	<b>0.14</b>	<b>0.15</b>	<b>0.13</b>	<b>0.13</b>	<b>0.51</b>	<b>1.06</b>	<b>0.09</b>
<b>Sales value - Rs mn</b>							
Oberoi Esquire	414	593	420	301	2,341	1,482	228
Oberoi Exquisite	-	355	130	677	270	360	260
Oasis Residential, Worli	1,502	543	176	1,267	1,212	484	-
Priviera, Khar	-	-	-	-	-	-	-
Oberoi Prisma, JVLR	194	51	160	-	-	-	62
Oberoi Maxima, JVLR	-	219	147	-	611	666	113
Eternia, Mulund	236	171	337	25	768	694	112
Enigma, Mulund	158	98	190	403	1,572	1,533	195
Sky City, Borivali	725	1,004	743	600	2,933	4,439	548
Oberoi Elysian	-	-	-	-	-	9,910	181
<b>Total</b>	<b>3,228</b>	<b>3,033</b>	<b>2,303</b>	<b>3,273</b>	<b>9,708</b>	<b>19,573</b>	<b>1,700</b>

Source: Company data, I-Sec research, \*Q1FY21 was a washout quarter and not represented in this table

**Table 2: Key assumptions**

(Rs mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Development properties</b>							
Area sold (mn sq ft)	0.6	0.8	0.7	1.7	2.7	3.7	3.1
Average rate (Rs per sq ft)	23,816	21,362	19,053	20,147	13,917	14,238	15,495
Sales value (Rs mn)	13,099	17,517	12,575	34,250	37,182	53,279	48,391
<b>Rental income</b>							
Average rental (Rs psf/month)	152	183	185	159	164	217	192
Rental income (Rs mn)	2,039	2,759	3,158	2,679	2,749	3,875	8,080

Source: Company data, I-Sec research

**Table 3: SoTP valuation**

Project	Saleable Area (msf)	FY22 GAV (Rs mn)	Value (Rs/share)	% of GAV
<b>Devco:</b>				
Goregaon	7.0	33,974	94	11.6
JVLR	2.6	3,358	9	1.1
Worli – 360 West – OBER 35% share	0.5	13,118	36	4.5
Worli Glaxo land – OBER 50% share	0.8	16,000	44	5.5
Borivali	5.0	28,306	78	9.7
Mulund	4.2	20,905	58	7.2
Thane	11.0	32,062	88	11.0
<b>Total Devco</b>	<b>31.2</b>	<b>147,724</b>	<b>407</b>	<b>50.6</b>
<b>Rentco/Hotels:</b>				
Commerz-Phase I	0.4	5,986	16	2.0
Commerz II - Phase I	0.7	15,947	44	5.5
Commerz II - Phase II	2.8	65,525	180	22.4
Oberoi Mall	0.6	18,739	52	6.4
Borivali Mall	1.0	21,099	58	7.2
Westin Hotel	0.4	2,284	6	0.8
Worli Hotel	0.3	10,000	28	3.4
<b>Total Rentco/Hotels</b>	<b>6.1</b>	<b>139,580</b>	<b>384</b>	<b>47.8</b>
Social Infra	2.0	3,134	9	1.1
Other assets		1,785	5	0.6
<b>Total GAV</b>		<b>292,223</b>	<b>805</b>	<b>100.0</b>
Less: net debt as on FY22		8,438	23	
<b>FY22E NAV</b>		<b>283,785</b>	<b>781</b>	
Add: 20% premium to NAV		56,757	156	
<b>Target Price</b>		<b>340,542</b>	<b>938</b>	

Source: Company data, I-Sec research estimates

## Financial summary (Consolidated)

**Table 4: Earning statement**
*(Rs mn, year ending March 31)*

	FY21	FY22E	FY23E	FY24E
<b>Net Sales</b>	<b>20,526</b>	<b>23,278</b>	<b>37,323</b>	<b>45,557</b>
<b>Operating Expenses</b>	<b>10,522</b>	<b>11,473</b>	<b>18,690</b>	<b>21,257</b>
<b>EBITDA</b>	<b>10,004</b>	<b>11,805</b>	<b>18,633</b>	<b>24,300</b>
<i>% margins</i>	48.7%	50.7%	49.9%	53.3%
Depreciation & Amortisation	412	724	724	696
Gross Interest	760	1,356	1,740	1,740
Other Income	380	399	419	440
<b>Recurring PBT</b>	<b>9,212</b>	<b>10,123</b>	<b>16,587</b>	<b>22,303</b>
Less: Taxes	1,851	3,341	5,474	7,360
<b>PAT before</b>				
<b>Minority/Associate</b>	<b>7,360</b>	<b>6,783</b>	<b>11,113</b>	<b>14,943</b>
Minority/Associate share	32	3,461	2,461	2,250
<b>Net Income (Reported)</b>	<b>7,393</b>	<b>10,243</b>	<b>13,574</b>	<b>17,193</b>

Source: Company data I-Sec research

**Table 5: Balance sheet**
*(Rs mn, year ending March 31)*

	FY21	FY22E	FY23E	FY24E
<b>Assets</b>				
Total Current Assets	73,526	87,347	98,833	1,17,022
<i>of which cash &amp; cash eqv.</i>	1,331	10,400	15,932	25,175
Total Current Liabilities & Provisions	11,161	13,461	13,761	14,061
<b>Net Current Assets</b>	<b>62,365</b>	<b>73,886</b>	<b>85,072</b>	<b>1,02,961</b>
Goodwill/Investments	16,220	16,217	16,217	16,217
Net Fixed Assets	10,116	9,392	8,668	6,846
Capital Work-in-Progress	19,797	22,747	26,360	27,485
<b>Total Assets</b>	<b>1,08,499</b>	<b>1,22,242</b>	<b>1,36,317</b>	<b>1,53,510</b>
<b>Liabilities</b>				
Borrowings	15,338	18,838	19,338	19,338
Deferred Tax Liabilities	-530	-530	-530	-530
Equity Share Capital	<b>3,636</b>	<b>3,636</b>	<b>3,636</b>	<b>3,636</b>
Reserves & Surplus*	<b>90,055</b>	<b>1,00,299</b>	<b>1,13,873</b>	<b>1,31,066</b>
<b>Net Worth</b>	<b>93,691</b>	<b>1,03,935</b>	<b>1,17,509</b>	<b>1,34,702</b>
<b>Total Liabilities</b>	<b>1,08,499</b>	<b>1,22,242</b>	<b>1,36,317</b>	<b>1,53,510</b>

Source: Company data I-Sec research

**Table 6: Cashflow statement**
*(Rs mn, year ending March 31)*

	FY21	FY22E	FY23E	FY24E
<b>Net Profit before tax</b>	<b>9,212</b>	<b>10,123</b>	<b>16,587</b>	<b>22,303</b>
Depreciation	412	724	724	696
Non-Cash Adjustments	0	0	0	0
Working Capital Changes	-998	-308	-4,172	-8,119
Taxes Paid	-1,851	-3,341	-5,474	-7,360
<b>Operating Cashflow</b>	<b>6,774</b>	<b>7,199</b>	<b>7,666</b>	<b>7,520</b>
Capital Commitments	-13,237	-2,950	-3,613	-1,125
<b>Free Cashflow</b>	<b>-6,464</b>	<b>4,249</b>	<b>4,054</b>	<b>6,395</b>
Other investing cashflow	7,533	0	0	0
<b>Cashflow from Investing Activities</b>	<b>-5,705</b>	<b>-2,950</b>	<b>-3,613</b>	<b>-1,125</b>
Issue of Share Capital	450	0	0	0
Inc (Dec) in Borrowings	-134	3,500	500	0
Dividend paid	0	0	0	0
<b>Cashflow from Financing activities</b>	<b>316</b>	<b>3,500</b>	<b>500</b>	<b>0</b>
<b>Chg. in Cash &amp; Bank balances</b>	<b>1,385</b>	<b>7,749</b>	<b>4,554</b>	<b>6,395</b>

Source: Company data I-Sec research

**Table 7: Key ratios**
*(Year ending March 31)*

	FY21	FY22E	FY23E	FY24E
<b>Per Share Data (Rs)</b>				
EPS	20.4	28.2	37.4	47.3
Cash EPS	21.5	30.2	39.4	49.3
Dividend per share (DPS)	0.0	0.0	0.0	0.0
Book Value per share (BV)	257.9	286.1	323.5	370.8
<b>Growth (%)</b>				
Net Sales	(8.3)	13.4	60.3	22.1
EBITDA	(4.5)	18.0	57.8	30.4
PAT	7.2	38.6	32.5	26.7
<b>Valuation Ratios (x)</b>				
P/E	46.0	33.2	25.1	19.8
P/BV	3.6	3.3	2.9	2.5
EV / EBITDA	35.4	29.5	18.4	13.8
EV / Sales	17.3	15.0	9.2	7.3
<b>Operating Ratios</b>				
Debt/EBITDA (x)	1.5	1.6	1.0	0.8
Net D/E	0.1	0.1	0.0	(0.0)
<b>Return Ratios (%)</b>				
RoE	8.2	6.9	10.0	11.8
RoCE	11.8	11.6	16.2	18.7
EBITDA Margins	48.7	50.7	49.9	53.3
Net Income Margins	36.0	44.0	36.4	37.7

Source: Company data I-Sec research

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