January 24, 2019

Rating matrix		
Rating	:	Buy
Target	:	₹ 510
Target Period	:	12 months
Potential Upside	:	11%

What's Changed?	
Target	Changed from ₹ 500 to ₹ 510
EPS FY19E	Changed from ₹ 25.9 to ₹ 21.0
EPS FY20E	Changed from ₹ 27.1 to ₹ 26.4
Rating	Unchanged

Quarterly Performance

₹ crore	Q3FY19	Q3FY18	YoY (%)	Q2FY19	QoQ (%)
Revenue	528.6	356.2	48.4	592.1	-10.7
EBITDA	188.1	192.6	-2.4	295.8	-36.4
EBITDA (%)	35.6	54.1	-1850 bps	50.0	-1438 bps
PAT	137.9	120.2	14.8	213.8	-35.5

Key Financials

₹ Crore	FY17	FY18	FY19E	FY20E
Net Sales	1,113.7	1,265.4	2,552.7	2,783.1
EBITDA	569.9	675.3	1,136.6	1,227.1
Net Profit	378.7	458.8	763.0	961.5
EPS (₹)	10.4	12.6	21.0	26.4

Valuation summary

(x)	FY17	FY18	FY19E	FY20E
P/E	41.2	34.0	20.5	16.2
Target P/E	45.7	37.7	22.7	18.0
EV / EBITDA	27.1	22.4	12.3	10.4
P/BV	2.9	2.7	2.1	1.7
RoNW (%)	6.6	7.5	9.4	8.6
RoCE (%)	8.6	9.3	12.9	12.2

Stock data

Particular	Amount (₹ crore)
Market Capitalization	16,725.7
Total Debt	944.4
Cash	2,540.9
EV	15,129.2
52 week H/L (₹)	609 / 352
Equity capital	328.2
Face value (₹)	10.0

Price performance (%)

Return %	1M	3M	6M	12M
Sobha	7.7	19.6	7.6	(14.2)
Sunteck Realty	(6.8)	7.7	(13.5)	(19.1)
Mahindra Lifespace	5.2	(2.3)	(26.3)	(20.6)
Oberoi Realty	(2.7)	11.6	(8.8)	(13.5)
BSE Realty	(1.2)	15.6	(8.9)	(31.5)

Research Analyst

Deepak Purswani, CFA
deepak.purswani@icicisecurities.com

Harsh Pathak
harsh.pathak@icicisecuriites.com

Oberoi Realty (OBEREA)

₹ 460

Annuity portfolio to provide stable cash flows

- Oberoi Realty's (ORL) sales volumes declined 3.0% YoY to 1.47 lakh sq ft (lsf) (our estimate: 2.53 lsf), clocking sales value of ₹ 241.6 crore
- Revenues grew strongly by 48.4% YoY to ₹ 528.6 crore but were marginally below our estimate of ₹ 557.2 crore on account of lower revenues from projects (₹ 393.9 crore vs. ₹ 431.8 crore expected)
- EBITDA margins declined 1850 bps YoY to 35.6% (our estimate: 50.0%) on account of higher operating cost
- PAT grew 14.8% YoY to ₹ 137.9 crore, though below our expectation of ₹ 198.4 crore, on account of a sharp EBITDA margin decline

Sales volumes decline 3.0% YoY in Q3FY19…

Sales volumes declined 3.0% YoY to 1.47 lsf in Q3FY19 due to tepid sales at Goregaon projects (31,555 sq ft) and no sales at Worli project. On a positive note, the company achieved its FY19E full year base-target of 100-120 units at Esquire with sales of 102 units in 9MFY19. Also, it clocked strong sales momentum at Borivali (75,195 sq ft) project. ORL commenced bookings for a fifth tower at Sky City and received a good response to the project in Q3FY19. On the new launches front, ORL has postponed the launch of the Goregaon Phase-III near the festive season in Q2FY20E whereas the Thane project would be probably launched in Q3FY20E. It could also launch Maxima project in FY20E. Overall, with strong launches planned in FY20E and Borivali project expected to drive sales momentum, we expect sales volumes to grow at 68.5% CAGR from 0.6 msf in FY18 to 1.6 msf in FY20E.

EBITDA margins decline in Q3 due to accounting adjustments…

EBITDA margins declined sharply by 1850 bps YoY to 35.6% in Q3FY19. This was on account of a) front-loading of the entire Borivali land cost in the first phase of project launches; and b) sales at high-margin Goregaon projects were much lower in Q3FY19. Nonetheless, this is due to accounting adjustment and will not have any impact on cash flows and our valuation.

Significant ramp-up in annuity portfolio…

ORL has planned two mixed-use developments at Borivali (GLA: 1.73 msf) and Worli (GLA: 1.70 msf). On this front, it has already incurred a capex of ₹ 40-50 crore. At Borivali, it shall develop 1.2 msf mall, 0.3-0.4 msf hotel and remainder office space. In contrast, at Worli, it will develop 0.9-1.0 msf mall, 80-90 room hotel while rest would be for office space. These assets, which would be developed at an expenditure of ₹ 800 crore each, are expected to be operational in the next four to five years. Furthermore, Commerz II has achieved 100% occupancy in Q3FY19. The company would start receiving rental income from March, 2019. Overall, we expect 26.0% CAGR rental income growth to ₹ 324 crore in FY18-20E. Also, along with these assets, the upcoming mixed-use development projects & Commerz-III (1.7 msf) will significantly drive rental income, going ahead.

Upcoming rental assets value-accretive for ORL; maintain BUY…

We like ORL given the quality of land bank, its healthy balance sheet and management bandwidth to execute large projects. We believe that robust launches planned in FY20E and strong sales from its Borivali projects would drive the company's sales momentum (68.5% CAGR to 1.6 msf in FY18-20E), going ahead. Additionally, its planned mixed-use developments in Borivali & Worli should provide stable cash flows, going ahead, which is value-accretive for ORL. Hence, we maintain our **BUY** recommendation on the stock with a target price of ₹ 510/ share.

Variance analysis

	Q3FY19	Q3FY19E	Q3FY18	YoY (Chg %)	Q2FY19	QoQ (Chg %)	Comments
Income from Operation	528.6	557.2	356.2	48.4	592.1	-10.7	Revenues grew strongly with good sales momentum at Mulund project
Other Income	20.2	20.8	4.2	384.9	27.7	-27.1	
Operating Cost	297.5	242.3	137.1	117.0	257.4	15.6	
Employee cost	17.4	19.5	15.0	16.1	19.3	-10.0	
Other expenditure	25.7	16.7	11.5	122.9	19.6	31.2	
EBITDA	188.1	278.8	192.6	-2.4	295.8	-36.4	
EBITDA Margin (%)	35.6	50.0	54.1	-1850 bps	50.0	-1438 bps	EBITDA margin contraction was due to accounting adjustments
Depreciation	11.4	11.0	12.2	-6.5	11.0	3.9	
Interest	4.9	5.8	1.8	169.4	5.8	-16.8	
PBT	192.0	282.7	182.8	5.0	306.7	-37.4	
Taxes	57.3	90.5	63.5	-9.8	94.0	-39.1	
PAT	137.9	198.4	120.2	14.8	213.8	-35.5	PAT growth was led by strong topline growth
Key Metrics							
Sales Volume (in sq ft)	147,276	253,397	151,763	-3.0	238,634	-38.3	Sales volume de-growth was on account of poor sales performance at Worli project

Source: Company, ICICI Direct Research

Change in estimates

	FY18	FY19E			FY20E			
(₹ Crore)	Actual	Old	New	% Change	Old	New	% Change	Comments
Revenue	1265.4	2580.2	2552.7	-1.1	2650.9	2783.1	5.0	
EBITDA	675.3	1296.6	1136.6	-12.3	1328.5	1227.1	-7.6	
EBITDA Margin (%)	53.4	50.3	44.5	-577 bps	50.1	44.1	-601 bps	
PAT	458.8	942.6	763.0	-19.1	985.6	961.5	-2.4	
EPS (₹)	12.6	25.9	21.0	-19.1	27.1	26.4	-2.4	We tweak our estimates

Source: Company, ICICI Direct Research

Assumptions

	FY16	FY17	FY18	FY19E	FY19E	FY20E	FY20E	Comments
Volume sold in msf				New	Earlier	New	Earlier	
Goregaon	0.2	0.1	0.2	0.3	0.4	0.5	0.5	
Andheri/Borivali	1.1	0.2	0.2	0.3	0.3	0.5	0.5	
Worli	0.0	0.2	0.1	0.1	0.2	0.3	0.3	
Mulund	0.0	0.1	0.1	0.2	0.1	0.2	0.2	
Pune	0.0	0.0	0.0	0.0	0.0	0.2	0.2	
Total	1.3	0.6	0.6	0.8	1.0	1.6	1.5	We tweak our estimates

Source: Company, ICICI Direct Research

Conference call highlights:

- **Launch plans:** ORL has postponed its launch at Goregaon Phase-III, which was earlier scheduled in Q4FY19E. The management has rescheduled it near the festive season in September, 2019 to get higher sales traction. Consequently, it would now launch Goregaon Phase-III in Q2FY20E, whereas the Thane project would be probably launched in Q4FY20E. Construction work at Goregaon Phase-III has already commenced while documentation work for the Thane project is expected to be completed in Q4FY19E

- **Esquire project:** ORL had set a sales target of 100-120 units for Esquire project in FY19E. The company achieved its FY19E full year base-target, recording sales of 102 units by Q3FY19 end. It will further look to incrementally sell 18 apartments to achieve its upper-end target of 120 apartments in FY19E

- **Commerz II update:** ORL has achieved 100% occupancy at Commerz II project. The company will start generating rentals from Q4FY19E. Commerz II clocked an average rental of ₹ 141 psf per month in Q3FY19.

- **Three Sixty West project:** Three Sixty West project is in advanced stage of completion of construction work with the remaining construction left being a slab, lobby and common area. Revenue recognition from the project will start once the company achieves 25% sales threshold. ORL will apply for OC for the project in H1CY2019 and start giving possession to buyers in Q1FY20E. Also, it would be ready to move in by Q4FY20E

- **Sky City project update:** ORL commenced bookings for the fifth tower at Sky City in Q3FY19, which received a strong response during the quarter. With overall bookings achieved at this project in Q3FY19 (51 units on 75,195 sq ft), ORL crossed 1000 units sales in the project

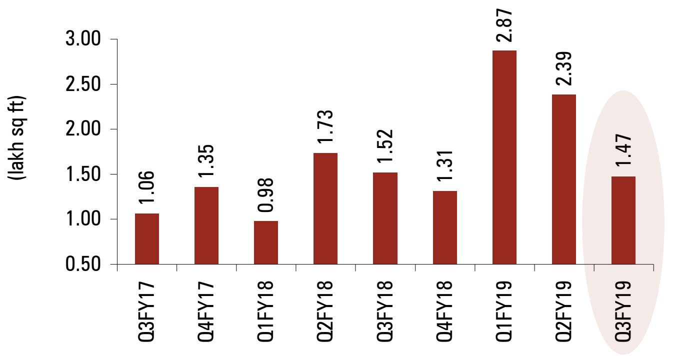
- **Malls update:** ORL incurred a capex of ₹ 40-50 crore till date for development of malls at Borivali & Worli. The Borivali mall space would comprise 1.2 msf mall, 0.3-0.4 msf hotel with the remaining space for hotel development. At the Worli mall, development would comprise 0.9-1.0 msf mall, 80-90 room hotel with the remaining area for office space

Company Analysis

Sales volume momentum continues to remain strong…

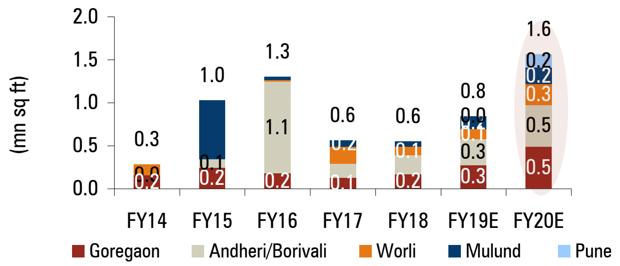
ORL's sales volumes declined 3.0% YoY to 1.47 lsf in Q3FY19 due to tepid sales at Goregaon projects (31,555 sq ft vs. our expectation of 75,000 sq ft) and no sales at Worli project (our expectation: 60,000 sq ft). On a positive note, it clocked strong sales momentum at Mulund (42,578 sq ft) & Borivali (75,195 sq ft) projects led by better response at Eternia, Enigma & Sky City projects. Also, in Q3FY19, ORL commenced bookings for the fifth tower at Sky City, Borivali. Overall, with strong launches planned in FY20E and Borivali projects expected to drive sales momentum, we expect sales volume to grow at 68.5% CAGR to 1.6 msf over FY18-20E.

Exhibit 1: Sales volume picking up



Source: Company, ICICI Direct Research

Exhibit 2: Sales volumes to improve here on…

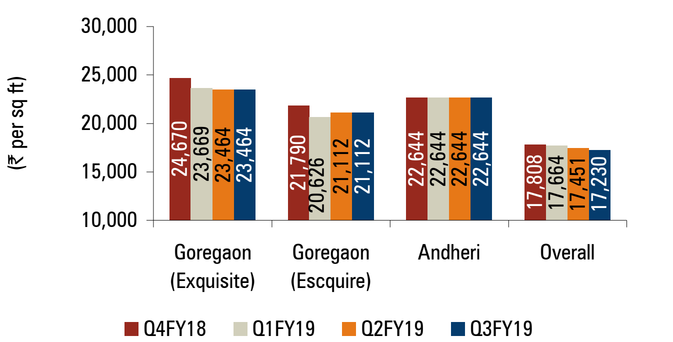


Source: Company, ICICI Direct Research

Realisations improve on account of sales mix…

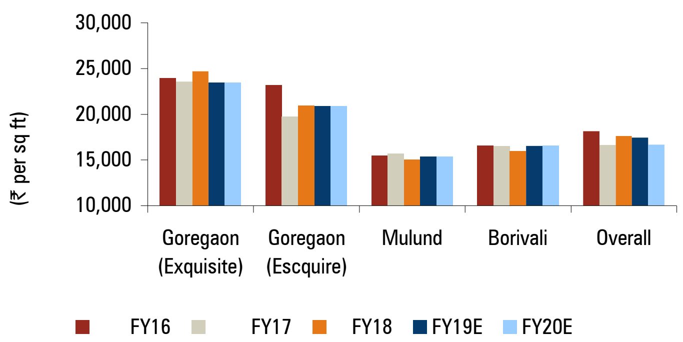
ORL increased prices at Sky City, Borivali by ₹ 500/sq ft in Q3FY19, which was well absorbed by the market. This is also reflected in the strong sales that ORL achieved in this project during the quarter. Also, the company witnessed an improvement in realisations at Exquisite, Enigma & Eternia on account of higher sales from upper-level apartments at these projects.

Exhibit 3: Quarterly average realisation trend



Source: Company, ICICI Direct Research

Exhibit 4: Annual realisation trend across projects



Source: Company, ICICI Direct Research

Exhibit 5: Ongoing residential projects operational metrics

Particulars	Q3FY19	Q2FY19	Q1FY19	Q4FY18	Q3FY18	Q2FY18
Area Booked (sq ft)						
Oberoi Esquire	**29865**	**52322**	**129633**	42248	24432	50051
Oberoi Exquisite	**1690**	**17030**	**5070**	3640	17550	5330
Three Sixty West	**-2052**	**51583**	**35324**	9562	47479	15020
Priviera	**-**	**-**	**-**	-	-	-
Prisma	**-**	**8397**	**14588**	8778	8595	8958
Eternia	**21840**	**24170**	**30190**	6900	6680	21270
Enigma	**20738**	**7650**	**14005**	5360	0	16860
Sky City	**75195**	**77482**	**57879**	54564	47027	55914
Total	**147,276**	**238,634**	**286,689**	131,052	151,763	173,403
Sales Value (₹ crore)						
Oberoi Esquire	**66.7**	**110.5**	**267.4**	92.1	48.1	103.0
Oberoi Exquisite	**4.4**	**40.0**	**12.0**	9.0	41.2	12.8
Three Sixty West	**(13.8)**	**223.9**	**166.4**	43.0	214.7	76.1
Priviera	**-**	**-**	**-**	-	-	-
Prisma	**-**	**17.3**	**26.3**	16.1	15.2	16.1
Eternia	**32.3**	**34.6**	**42.3**	10.1	10.3	32.1
Enigma	**32.3**	**10.9**	**20.0**	8.3	-	25.3
Sky City	**119.7**	**130.4**	**89.1**	84.8	76.9	88.0
Average Realization for the quarter (₹/sq ft)						
Oberoi Esquire	**22,334**	**21,112**	**20,626**	21,790	19,671	20,583
Oberoi Exquisite	**26,133**	**23,464**	**23,669**	24,670	23,499	23,996
Three Sixty West		**43,402**	**47,112**	44,970	45,222	50,646
Priviera**	**-**	**-**	**-**	-	-	-
Prisma	**-**	**20,555**	**18,049**	18,330	17,708	17,962
Eternia	**14,788**	**14,332**	**14,011**	14,696	15,359	15,068
Enigma	**15,566**	**14,246**	**-**	-	-	14,994
Sky City	**15,921**	**16,830**	**15,389**	15,536	16,342	15,740
Project Completion (%)						
Oberoi Esquire	**100.0**	**100.0**	**97.4**	93.4	88.3	82.2
Oberoi Exquisite	**100.0**	**100.0**	**100.0**	100.0	100.0	100.0
Three Sixty West	*	*	*	*	*	*
Priviera	**100.0**	**100.0**	**100.0**	100.0	100.0	100.0
Prisma	**100.0**	**100.0**	**82.7**	82.7	74.0	62.0
Eternia	**34.0**	**28.0**	*	*	*	*
Enigma	*	*	*	*	*	*
Sky City	**40.0**	**32.0**	**26.0**	*	*	*
Inventory as on Date (sq ft)						
Oberoi Exquisite	**121645**	**123335**	**140365**	145435	149075	166625
Three Sixty West	**1755222**	**1753170**	**1804753**	1929009	1938571	1986050
Priviera **	**0**	**0**	**0**	0	0	0
Prisma	**36754**	**36754**	**45151**	59739	68517	77112
Eternia#	**434690**	**328080**	**243720**	273910	280810	287490
Enigma#	**662419**	**497506**	**417134**	431139	436499	436499
Sky City#	**954134**	**560162**	**632740**	690619	745183	792210

Source: Company, ICICI Direct Research

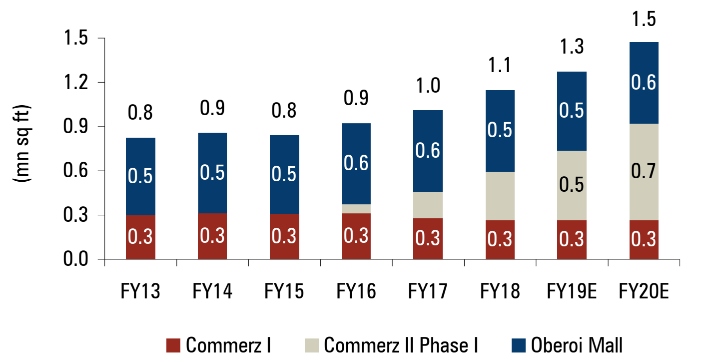
*Note : * Yet to reach threshold   # Basis area opened for booking   ** Calculated on carpet area*

Rental & hospitality portfolio to aid revenue growth…

ORL reported strong revenue growth in its rental & hospitality portfolio. Oberoi mall saw revenues jump 38.9% YoY to ₹ 38.9 crore as average realisation increased from ₹ 170 psf per month in Q3FY18 to ₹ 242 psf per month in Q3FY19 possibly on account of renewal of a few lease contracts at higher rates. The company reported 64.0% occupancy at Commerz II (Phase I). However, it has achieved 100% occupancy and will start generating rentals from March, 2019.

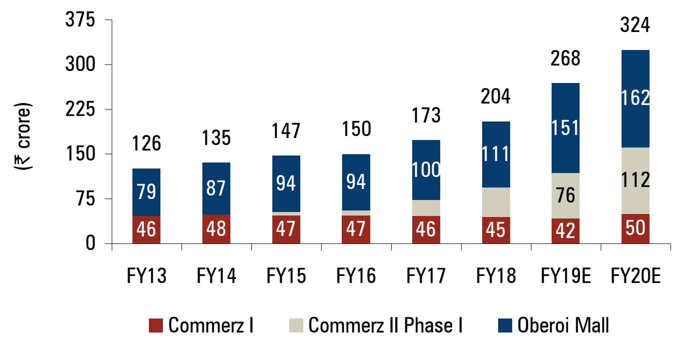
Furthermore, ORL has planned two mixed-use developments at Borivali (GLA: 1.73 msf) and Worli (GLA: 1.70 msf). On this front, it has already incurred capex of ₹ 40-50 crore. At Borivali, it will develop 1.2 msf mall, 0.3-0.4 msf hotel and the remainder as office space. In contrast, at Worli, it will develop 0.9-1.0 msf mall, 80-90 room hotel while rest of the area would be for office space. These assets, which would be developed at an expenditure of ₹ 800 crore each, are expected to be operational in the next four to five years.

Exhibit 6: Leasing trend



Source: Company, ICICI Direct Research

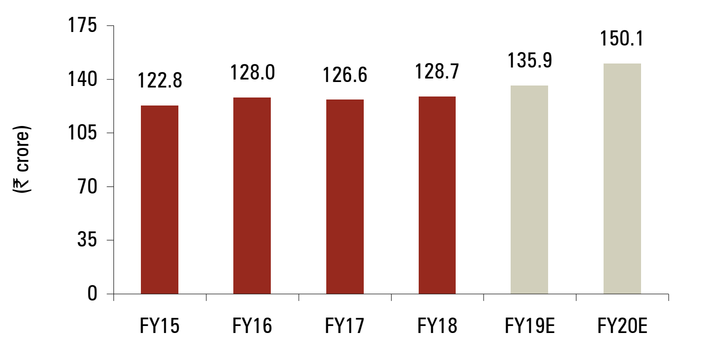
Exhibit 7: Leasing revenue trend



Source: Company, ICICI Direct Research

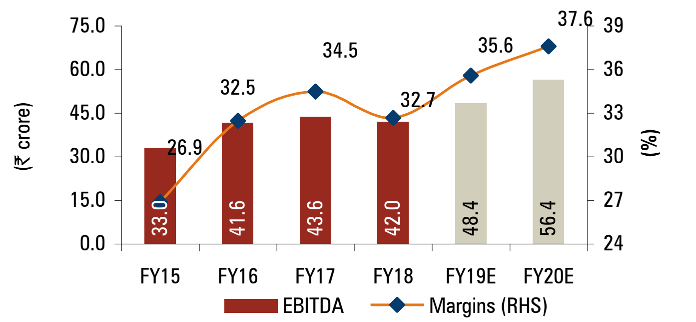
In its hospitality portfolio, revenues from The Westin Mumbai Garden City Hotel in Goregaon, grew 4.2% YoY to ₹ 36.9 crore in Q3FY19, on account of stable growth in RevPAR, which rose from ₹ 7582 in Q3FY18 to ₹ 7775 in Q3FY19. Consequently, the EBITDA margin improved 100 bps from 36.1% to 37.1% in Q3FY19. Going ahead, we expect topline and EBITDA margin to improve to ₹ 150.1 crore and 37.6%, respectively, in FY20E.

Exhibit 8: Hotel revenue trend



Source: Company, ICICI Direct Research

Exhibit 9: Westin's operating profit trend



Source: Company, ICICI Direct Research

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

Particulars	Q3FY19	Q2FY19	Q1FY19	Q4FY18	Q3FY18
Oberoi Mall (Retail Property)					
Operating Revenue (₹ crore)	**38.9**	**37.5**	**35.4**	29.0	28.0
EBITDA margin (%)	**95.5**	**95.1**	**94.0**	96.5	95.0
Occupancy (%)	**96.9**	**96.9**	**97.3**	99.4	99.4
Realisation (₹/sqft/month)	**242**	**233**	**220**	176	170
Commerz I (Commercial Space)					
Operating Revenue (₹ crore)	**10.4**	**10.1**	**10.7**	11.1	11.1
EBITDA margin(%)	**94.8**	**97.8**	**98.3**	109.2	99.0
Occupancy (%)	**77.7**	**77.7**	**78.5**	82.1	82.1
Realisation (₹/sqft/month)	**140**	**136**	**143**	142	141
Commerz II Phase I (Commercial Space)					
Operating Revenue (₹ crore)	**22.6**	**18.5**	**16.6**	12.7	11.4
EBITDA margin(%)	**90.8**	**89.0**	**87.5**	84.5	81.5
Occupancy (%)	**63.7**	**63.4**	**63.4**	47.5	44.7
Realisation (₹/sqft/month)	**141**	**134**	**120**	123	117
The Westin Mumbai Garden City (Hospitality)					
Operating Revenue (₹ crore)	**36.9**	**32.1**	**30.9**	34.0	35.4
EBITDA margin(%)	**37.1**	**33.2**	**34.5**	28.2	36.1
Average Room Rate (₹)	**9712**	**8715**	**8366**	9093	9401
Occupancy (%)	**80.2**	**81.1**	**84.3**	83.6	80.0
RevPAR (₹)	**7775**	**7055**	**7052**	7615	7582

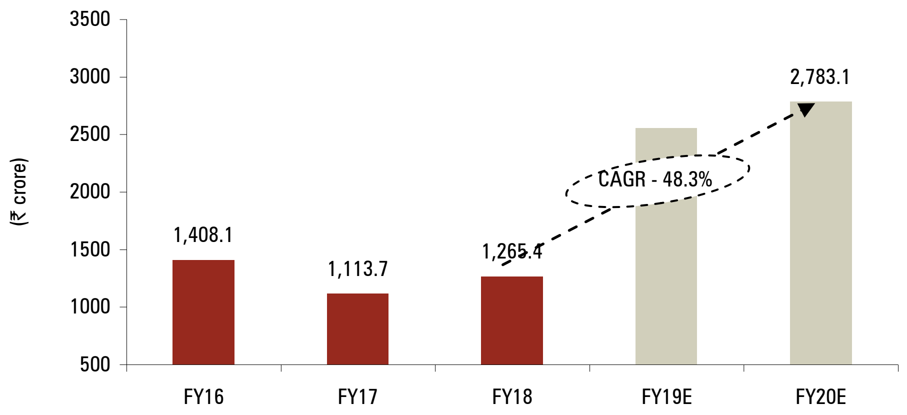
Source: Company, ICICI Direct Research

ORL's revenues are expected to grow at a CAGR of 48.3% CAGR during FY18-20E

Revenues recognised to grow at 48.3% CAGR in FY18-20E…

ORL will start recognising revenues at Three Sixty West once sales volumes cross the 25% threshold. Also, Enigma is nearing threshold and could start contributing to topline & bottomline in FY19E. Apart from this, launch of its saleable residential projects in Thane and Goregaon Phase-III and commercial projects viz. Maxima will aid sales momentum, going ahead. With its sales momentum seen improving in FY18-20E (64.8% CAGR), we expect revenues to grow robustly at 48.3% CAGR to ₹ 2783.1 crore over FY18-20E.

Exhibit 11: Revenues to grow at 46.5% CAGR over FY18-20E…

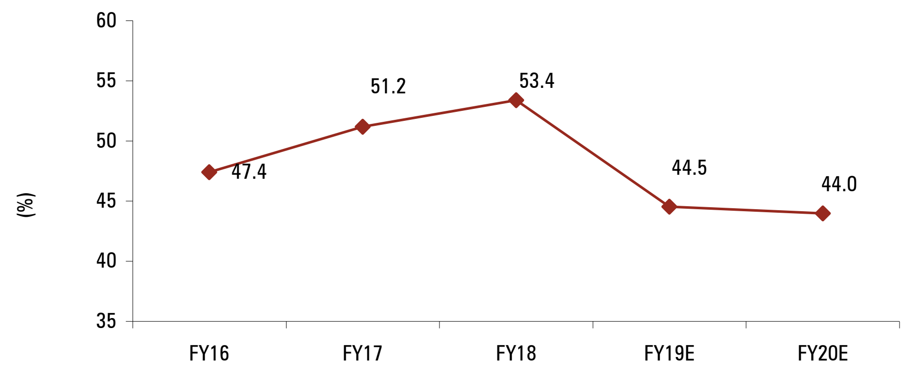


Source: Company, ICICI Direct Research

EBITDA margin to soften ahead…

EBITDA margins recently declined in Q3FY19 on account of front-loading of the entire Borivali land cost in the first phase of project launches. However, with only TDR charges left to be absorbed in the second phase of project launches, EBITDA margins are expected to recover, going ahead. However, with a change in the project mix, higher incremental sales are expected from Mulund & Borivali projects and low-zone apartments in Three Sixty West, which could keep margins lower. Hence, we expect overall margins to be in the range of 44-45%, going ahead.

Exhibit 12: EBITDA margin trend



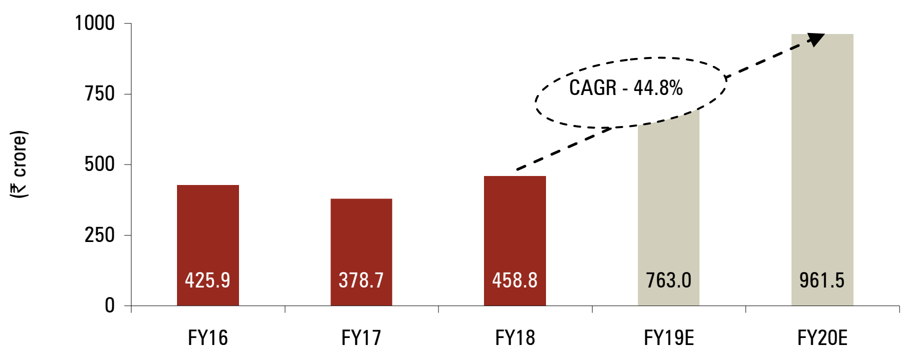
Source: Company, ICICI Direct Research

We expect the bottomline to grow at a CAGR of 44.8% during FY18-20E to ₹ 961.5 crore, with Three Sixty West & Enigma projects hitting revenue recognition during this period

Net profit to grow at 44.8% CAGR during FY18-20E…

Overall, we expect the bottomline to grow at a CAGR of 44.8% during FY18-20E to ₹ 961.5 crore, with Three Sixty West & Enigma projects hitting the revenue recognition during this period. This would aid the bottomline significantly, going forward.

Exhibit 13: PAT to grow at 42.0% CAGR during FY18-20E

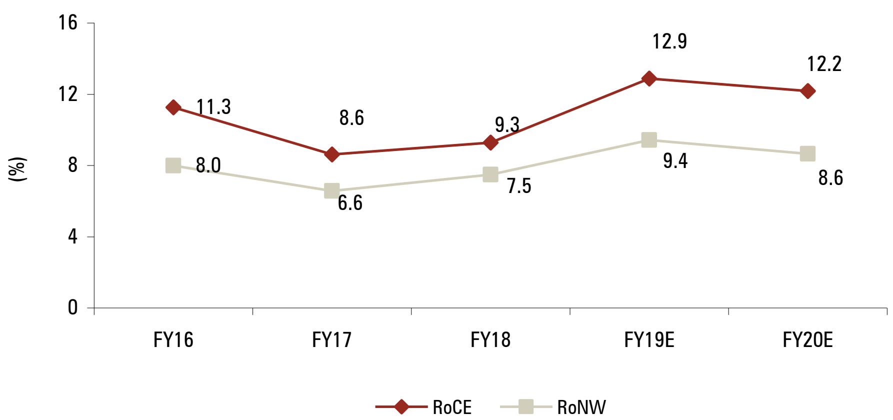


Source: Company, ICICI Direct Research

Return ratio to improve over FY18-20E…

Given the lower revenue recognition and profitability in FY17, return ratios dropped to single digits in FY17. However, with strong execution, high sales volumes, better revenues and profitability coming in FY18E & FY19E, we expect return ratios to jump to 12.2% RoCE and 8.6% RoE in FY20E.

Exhibit 14: Return ratios to bounce back



Source: Company, ICICI Direct Research

Outlook and Valuation

We like ORL given the quality of land bank, its healthy balance sheet and management bandwidth to execute large projects. We believe that robust launches planned in FY20E and strong sales from its Borivali projects would drive the company's sales momentum, going ahead. Also, its mixed-use developments in Borivali & Worli should provide stable cash flows, going ahead, which is value-accretive for ORL. Hence, we maintain our **BUY** recommendation on the stock with a target price of ₹ 510/ share.

Exhibit 15: Valuation

Location	Type	Status	Saleable Area (in mn sq ft)	NAV	NAV Multiple	Value (₹ cr)	₹/share
Goregaon			**10.1**	**8,232.1**		**7,640.9**	**210.1**
Oberoi Mall	Retail	Completed	0.6	1,747.8	1.0	1,747.8	48.1
Commerz I	Commercial	Completed	0.4	554.1	1.0	554.1	15.2
Westin	Hotel	Completed	0.4	1,102.3	1.0	1,102.3	30.3
Exquisite I	Residential	Ongoing	1.5	259.4	1.0	259.4	7.1
Exquisite II	Residential	Ongoing	1.5	637.1	1.0	637.1	17.5
Commerz II Phase I	Commercial	Ongoing	0.7	1,287.0	0.9	1,158.3	31.9
Exquisite III	Residential	Planned	1.9	990.6	1.0	990.6	27.2
Commerz II Phase II	Commercial	Planned	1.7	1,541.9	0.7	1,079.3	29.7
Oberoi International school	Social Infrastructure	Ongoing	0.3				
Education complex		Planned	0.9	111.9	1.0	111.9	3.1
Hospital		Planned	0.4				
Andheri/Khar/Borivali			**3.1**	**3,590.1**		**3,526.4**	**97.0**
Oberoi Maxima	Commercial	Ongoing	0.3	242.9	0.8	194.3	5.3
Oberoi Prisma	Residential	Ongoing	0.7	49.0	1.0	49.0	1.3
Oberoi Splendour IT park	Commercial	Planned	0.1	75.9	0.8	60.7	1.7
Oberoi Splendour school	Social Infrastructre	Planned	0.4	14.7	1.0	14.7	0.4
Borivali	Residential		4.5	3,207.6	1.0	3,207.6	88.2
Worli			**3.4**	**2,419.0**		**1,910.8**	**52.6**
Oasis Residential	Residential	Ongoing	2.3	643.8	0.9	579.4	15.9
Oasis Commercial	Commercial	Ongoing	0.2	237.8	0.8	178.4	4.9
Oasis Mall	Retail	Ongoing	0.1	108.5	0.8	81.3	2.2
Oasis Hospitality	Hospital	Ongoing	0.2	186.5	0.8	139.8	3.8
I-Ventures	Residential		0.5	1,242.5	0.8	931.9	25.6
Thane	Residential	Planned	10.2	3,086.1	0.9	2,777.5	76.4
Mulund			**3.2**	**1,080.6**		**864.5**	**23.8**
Eternia	Residential	Ongoing	1.6	634.9	0.8	507.9	14.0
Enigma	Residential	Ongoing	1.6	445.7	0.8	356.6	9.8
Pune			**1.3**	**122.1**		**94.5**	**2.6**
Sangam city - Residential	Residential	Planned	0.8	58.7	0.8	47.0	1.3
Sangam city - Commercial	Commercial	Planned	0.3	33.7	0.8	25.2	0.7
Sangam city - Retail	Retail	Planned	0.3	29.7	0.8	22.2	0.6
Net cash/ (Debt)				**1,632.3**	**1.0**	**1,632.3**	**44.9**
Total			**31.4**	**20,162.3**	**0.9**	**18,446.8**	**507**
Rounded off Target price							**510**

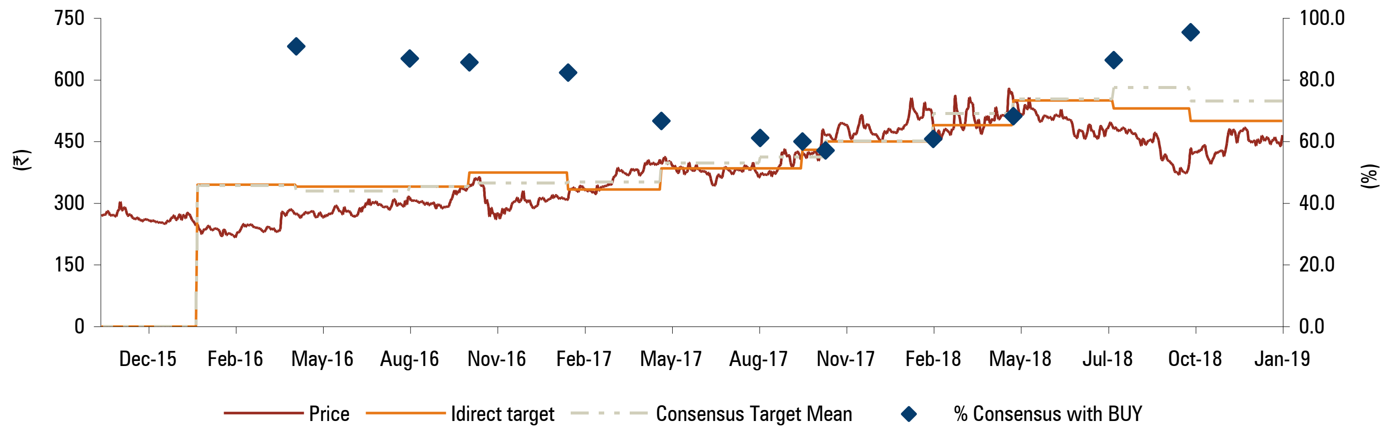
Source: Company, ICICI Direct Research

Exhibit 16: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY17	1113.7	-20.9	10.4	-11.1	44.2	27.1	6.6	8.6
FY18	1265.4	13.6	12.6	21.2	36.5	22.4	7.5	9.3
FY19E	2552.7	101.7	21.0	66.3	21.9	12.3	9.4	12.9
FY20E	2783.1	9.0	26.4	26.0	17.4	10.4	8.6	12.2

Source: Company, ICICI Direct Research

Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Key events

Date	Event
Jun-15	Oberoi Realty approves raising of ₹ 324 crore through preferential issue of shares to Aranda Investments, an indirect subsidiary of Temasek Holdings
Aug-15	As per media sources, Oberoi Realty to buy Crompton Greaves' Worli building spread over ~1 acre for over ₹ 200 crore.
Oct-15	Oberoi Realty launches its multi-tower project "Sky City" at Borivali spread across 25 acres consisting of multiple towers of up to 60 storeys each. The project has a saleable area of ~4.5 million square feet (msf) and the company expects to earn revenues of ~₹ 6000-7000 crore from the project
Mar-16	and Brihanmumbai Municipal Corporation (BMC) have failed to comply with the municipal solid waste (MSW) rules at Deonar and Mulund dumping grounds,due to which Oberoi will be unable to launch projects until the ban is lifted
Mar-16	Rajya Sabha passes the real estate regulation bill paving the way for regulation in the real estate sector. The bill would promote timely execution of projects, ensure speedy adjudication of disputes and help promote private participation, positive for Oberoi
Apr-16	Swedish furniture retailing giant Ikea in talks with Oberoi Realty to buy a built-to-suit retail space for over ₹ 900 crore in Borivali. As per media reports, if the deal happens, this will monetise Oberoi's landbank at better prices of ~₹ 112.5 crore per acre vs. Oberoi's acquisition price of ~₹ 46.2 crore per acre
May-16	Oberoi allots 59,104 equity Shares of ₹ 10 each to certain option grantee(s) pursuant to exercise by them of options granted to them under Company's Employee Stock Option Scheme 2009. The exercise price for options is ₹ 260/ share. Post allotment, share capital has increased to ₹ 339.4 crore.
Aug-16	developing malls. The venture would have a corpus of ₹ 1,000 crore. Oberoi is expected to hold about 75%. Further, it could also initiate talks with Canada Pension Plan Investment Board, which has shown an interest in buying in malls
Sep-16	Teva Pharmaceuticals buys ~1.0 lakh sq ft space in Oberoi Commerz II in Goregaon
Mar-17	Samsung India Electronics leases ~1.1 lakh sq ft space in Oberoi Commerz II in Goregaon for ~₹ 145/ sq ft per month. The lease is for nine years with 15% rental escalation every three years
Sep-17	Oberoi Realty acquires GlaxoSmithKline (GSK) Pharmaceuticals' 60 acre land parcel at Thane for ₹ 555 crore.

Source: Company, ICICI Direct Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Oberoi (Vikas Ranvir)	31-Dec-18	58.5%	212.9	0.0
2	R S Estate Developers Pvt. Ltd.	31-Dec-18	9.2%	33.3	0.0
3	Franklin Advisers, Inc.	31-Dec-18	2.1%	7.8	-1.4
4	Reliance Nippon Life Asset Management Limited	31-Dec-18	1.5%	5.4	0.2
5	Fidelity Management & Research Company	31-Dec-18	1.4%	5.1	-0.9
6	APG Asset Management	31-Dec-18	1.3%	4.9	-1.1
7	OppenheimerFunds, Inc.	31-Dec-18	1.2%	4.3	0.2
8	Wellington Management Company, LLP	31-Dec-18	1.1%	3.9	0.2
9	GIC Private Limited	30-Sep-18	1.0%	3.7	-0.8
10	The Vanguard Group, Inc.	31-Dec-18	0.9%	3.4	0.0

Shareholding Pattern

(in %)	Mar-18	Jun-18	Sep-18	Dec-18
Promoter	72.5	67.7	67.7	67.7
FII	22.6	26.4	25.5	25.4
DII	2.9	3.4	4.0	4.5
Others	2.0	2.5	2.8	2.4

Source: Reuters, ICICI Direct Research

Recent Activity

Buys			Sells		
Investor name	Value (m)	Shares (m)	Investor name	Value (m)	Shares (m)
HSBC Global Asset Management (Hong Kong) Limited	1.1	0.2	Franklin Advisers, Inc.	-8.7	-1.4
Reliance Nippon Life Asset Management Limited	1.1	0.2	APG Asset Management	-7.2	-1.1
OppenheimerFunds, Inc.	1.0	0.2	Fidelity Management & Research Company	-5.8	-0.9
TT International	0.9	0.2	GIC Private Limited	-4.5	-0.8
Wellington Management Company, LLP	1.0	0.2	William Blair Investment Management, LLC	-2.4	-0.4

Source: Reuters, ICICI Direct Research

Financial summary

Profit and loss statement				(₹ Crore)
(Year-end March)	FY17	FY18	FY19E	FY20E
Net Sales	1,113.7	1,265.4	2,552.7	2,783.1
Other Operating Income	0.0	0.0	0.0	0.0
Total Operating Income	1,113.7	1,265.4	2,552.7	2,783.1
Growth (%)	-20.9	13.6	101.7	9.0
Operating Costs	428.7	467.9	1,287.7	1,421.1
Employee Expenses	64.2	67.2	70.5	74.0
Other Expenses	51.0	55.1	57.9	60.8
Total Operating Expenditure	543.9	590.1	1,416.1	1,555.9
EBITDA	569.9	675.3	1,136.6	1,227.1
Growth (%)	-14.6	18.5	68.3	8.0
Depreciation	49.5	49.1	50.5	51.6
Interest	5.6	6.9	25.7	42.8
Other Income	47.6	26.6	57.0	151.9
PBT	562.4	645.9	1,117.4	1,284.6
Prior Period Adjustments	0.0	0.0	0.0	0.0
Total Tax	186.9	190.7	368.7	423.9
PAT before profit from associates	375.6	455.2	748.7	860.7
Minoriy Interest	0.0	0.0	0.0	0.0
Profit from associates	3.1	3.6	14.3	100.8
PAT	378.7	458.8	763.0	961.5
EPS (₹)	10.4	12.6	21.0	26.4

Source: Company, ICICI Direct Research

Cash flow statement				(₹ Crore)
(Year-end March)	FY17	FY18	FY19E	FY20E
Profit after Tax	378.7	458.8	763.0	961.5
Depreciation	49.5	49.1	50.5	51.6
Interest	71.8	6.9	25.7	42.8
Others	-46.2	-23.4	-71.3	-252.7
Net Increase in Current Assets	-475.2	-452.8	-433.9	-579.7
Net Increase in Current Liabilities	190.7	-224.3	51.1	17.7
Net cf from operating activities	173.6	-205.8	385.0	241.3
(Purchase)/Sale of Fixed Assets	-76.3	-77.3	-325.0	-325.0
Others	-46.2	-23.4	-71.3	-252.7
Net cf from Investing Activities	-559.1	-588.3	-253.7	-72.3
Inc / (Dec) in Equity Capital	6.0	1.7	1,200.0	1,200.0
Inc / (Dec) in Loan Funds	-18.0	#REF!	0.0	0.0
(Payment) of Dividend & Div. Tax	0.0	-81.7	-114.4	-144.2
Interest paid	-52.5	-99.6	-25.7	-42.8
Net cf from Financing Activities	335.6	675.0	1,059.9	1,013.0
Net Cash flow	-50.0	-119.1	1,191.3	1,182.0
Opening Cash/Cash Equivalent	285.8	235.9	116.8	1,308.0
Closing Cash/ Cash Equivalent	235.9	116.8	1,308.0	2,490.0

Source: Company, ICICI Direct Research

Balance sheet				(₹ Crore)
(Year-end March)	FY17	FY18	FY19E	FY20E
Equity Capital	339.5	339.6	363.6	363.6
Preference Capital	0.0	0.0	0.0	0.0
Reserve and Surplus	5,386.4	5,752.8	7,577.3	9,594.6
Total Shareholders funds	5,726.0	6,092.4	7,940.9	9,958.2
Total Debt	868.6	944.4	944.4	944.4
Total Liabilities	8,454	10,225	12,124	14,159
Assets				
Gross Block	1,042.8	1,123.5	1,148.5	1,173.5
Less Accumulated Depreciation	98.3	147.0	197.5	249.2
Net Block	944.5	976.5	951.0	924.4
Capital WIP	109.5	112.5	412.5	712.5
Total Fixed Assets	1,054.0	1,089.0	1,363.4	1,636.8
Goodwill on consolidation	0.0	0.0	0.0	0.0
Investments	1,824.3	2,424.2	2,424.2	2,424.2
Inventory	3,766.4	4,246.7	4,503.8	4,864.9
Debtors	105.8	181.3	190.8	225.2
Loans and Advances	1,234.0	1,874.9	2,042.2	2,226.4
Cash	351.7	116.7	1,308.0	2,490.0
Other Current Assets	0.0	146.2	146.2	146.2
Total Current Assets	5,457.8	6,565.8	8,191.0	9,952.6
Creditors	1,855.2	3,183.5	3,234.6	3,252.3
Provisions	4.4	4.4	4.4	4.4
Net Current Assets	3,598.2	3,378.0	4,952.1	6,696.0
Deferred Tax Assets	118.1	145.8	145.8	145.8
Total Assets	8,454	10,225	12,124	14,159

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18	FY19E	FY20E
Per share data (₹)				
EPS	10.4	12.6	21.0	26.4
Cash EPS	11.8	14.0	22.4	27.9
BV	157.5	167.6	218.4	273.9
Operating profit per share	15.7	18.6	31.3	33.7
Cash Per Share	9.7	3.2	36.0	68.5
Operating Ratios (%)				
EBITDA Margin	51.2	53.4	44.5	44.1
PBT / Net Sales	50.5	51.0	43.8	46.2
PAT Margin	33.7	36.0	29.3	30.9
Inventory days	1,234	1,225	644	638
Debtor days	35	52	27	30
Creditor days	609	920	463	427
Return Ratios (%)				
RoE	6.6	7.5	9.4	8.6
RoCE	8.6	9.3	12.9	12.2
RoIC	12.4	14.8	23.6	22.9
Valuation Ratios (x)				
P/E	44.2	36.5	21.9	17.4
EV / EBITDA	27.1	22.4	12.3	10.4
EV / Net Sales	13.8	12.0	5.5	4.6
Market Cap / Sales	15.0	13.2	6.6	6.0
Price to Book Value	2.9	2.7	2.1	1.7
Solvency Ratios (x)				
Debt / EBITDA	1.5	1.4	0.8	0.8
Debt / Equity	0.2	0.2	0.1	0.1
Current Ratio	2.7	2.0	2.1	2.3
Quick Ratio	0.7	0.7	0.7	0.8

Source: Company, ICICI Direct Research

ICICI Direct Research coverage universe (Real Estate)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY17	EPS (₹) FY18E	EPS (₹) FY19E	P/E (x) FY17	P/E (x) FY18E	P/E (x) FY19E	EV/EBITDA (x) FY17	EV/EBITDA (x) FY18E	EV/EBITDA (x) FY19E	P/B (x) FY17	P/B (x) FY18E	P/B (x) FY19E	RoE (%) FY17	RoE (%) FY18E	RoE (%) FY19E
Oberoi Realty (OBEREA)	420	500	Buy	15,271	10.4	12.6	25.9	40.3	33.3	16.2	24.5	20.3	9.4	2.7	2.5	1.9	6.6	7.5	10.7
Mahindra Lifespace (GESCOR)	422	600	Buy	1,724	24.9	19.7	22.9	10.5	30.4	27.3	7.9	42.4	52.3	1.5	1.4	1.3	18.0	5.9	6.0
Sobha (SOBDEV)	428	570	Hold	5,176	14.1	16.7	22.5	37.5	31.6	23.4	16.3	17.3	14.2	2.0	1.9	1.8	5.4	6.1	7.8
Sunteck Realty (SUNRE)	319	525	Buy	3,828	14.8	15.2	18.1	31.9	31.1	26.1	21.3	18.8	16.3	3.7	2.5	2.3	11.6	8.1	8.9

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct Research endeavours to provide objective opinions and recommendations. ICICI Direct Research assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: >15%/20% for large caps/midcaps, respectively, with high conviction;
Buy: >10%/15% for large caps/midcaps, respectively;
Hold: Up to +/-10%;
Sell: -10% or more;

Pankaj Pandey **Head – Research** **pankaj.pandey@icicisecurities.com**

ICICI Direct Research,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

We /I, Deepak Purswani, CFA, MBA (Finance), Harsh Pathak, MBA (Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with Sebi Registration Number – INH000000990. ICICI Securities Limited Sebi Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.