

Oberoi Realty

BSE SENSEX	S&P CNX
37,091	11,148
Bloomberg	OBER IN
Equity Shares (m)	364
M.Cap.(INRb)/(USDb)	194.3 / 2.8
52-Week Range (INR)	607 / 352
1, 6, 12 Rel. Per (%)	-4/29/-3
12M Avg Val (INR M)	229
Free float (%)	32.3

Financials & Valuations (INR b)

INR b	FY19E	FY20E	FY21E
Sales	25.8	27.4	33.4
EBITDA	11.6	13.0	16.7
NP	8.2	12.2	12.7
EPS (INR)	22.5	33.5	35.0
EPS Growth (%)	78.1	49.2	4.3
BV/Share (INR)	220.8	251.5	283.5
P/E (x)	23.8	16.0	15.3
P/BV (x)	2.4	2.1	1.9
EV/EBITDA (x)	16.1	14.7	11.5
EV/Sales (x)	7.2	7.0	5.7
RoE (%)	11.6	14.2	13.1
RoCE (%)	10.4	9.4	10.7

Estimate change



TP change



Rating change


CMP: INR535
TP: INR628 (+17%)
Buy

Softness occupies Residential, but new launch pipeline comforting

Presales volume up 11% YoY: Sales volume grew 11% YoY to 0.14msf (our estimate: 0.17msf), while sales value increased 21% YoY to INR3.2b in 4QFY19. Overall collections declined 26% YoY to INR4b. Revenue grew 66% YoY to INR5.7b (our estimate: INR5.4b). EBITDA margin shrank 1,650bp YoY to 36.6% (our estimate: 41.8%), reflecting a higher contribution from Skycity.

FY19 performance: Sales volumes increased 48% YoY to 0.82msf, while sales value rose 34% YoY to INR17.5b. Revenue grew over 104% to INR25.8b. EBITDA margin contracted by 870bp to 44.7%. PAT increased by over 78%.

Growth to be driven by new launches this fiscal: OBER is on track to launch the Thane and Goregaon projects in FY20, but is yet to provide clarity on the timeline. It is also likely to launch a project in South Mumbai (0.45msf), while Skycity Phase II – where construction has already begun for three towers – may be rolled out in FY20, subject to absorption in Phase I. Backed by new launches, sales volumes are expected to grow 90% to 1.6msf in FY20.

Concall highlights: (a) Commerz II is fully occupied, barring one floor. (b) Fund raising is an enabling resolution tilted more in favor of supporting the commercial portfolio. (c) 360West – part OC is expected by Jun-Sep'19 and full OC by Dec'19.

Valuation and view: Although OBER has lagged key peers in terms of the residential performance over the last two quarters, its new launch pipeline for this year is comforting. We remain positive on the stock, backed by its strong upcoming commercial portfolio. Thus, we reiterate our **Buy** rating on the stock with an SOTP-based TP of INR628/share. Our calculation captures the value emerging from the company's existing development potential. Maintain **Buy**.

Quarterly Performance (Consolidated)

(INRM)

Y/E March	FY18				FY19				FY18	FY19	FY19	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	2,607	3,035	3,562	3,450	8,883	5,921	5,286	5,735	12,654	25,825	5,371	7%
YoY Change (%)	-18.5	20.5	41.3	19.1	240.7	95.1	48.4	66.2	13.6	104.1	55.7	
Total Expenditure	1,252	1,398	1,636	1,616	4,266	2,963	3,405	3,638	5,901	14,271	3,120	
EBITDA	1,355	1,638	1,926	1,834	4,617	2,958	1,881	2,097	6,753	11,554	2,250	-7%
Margins (%)	52.0	54.0	54.1	53.1	52.0	50.0	35.6	36.6	53.4	44.7	41.9	
Depreciation	124	128	122	118	106	110	114	110	491	440	120	
Interest	16	16	18	19	49	58	49	38	69	194	45	
Other Income	96	50	42	79	71	277	202	238	266	788	150	
PBT before EO expense	1,312	1,544	1,828	1,776	4,533	3,067	1,920	2,187	6,459	11,707	2,235	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	1,312	1,544	1,828	1,776	4,533	3,067	1,920	2,187	6,459	11,707	2,235	
Tax	405	509	635	357	1,450	940	573	644	1,907	3,607	798	
Rate (%)	30.9	33.0	34.8	20.1	32.0	30.7	29.8	29.4	29.5	30.8	35.7	
Minority Interest & P/L of Asso. Cos.	-7	-9	-10	-11	-11	-12	-32	-14	-36	-69	-25	
Reported PAT	914	1,043	1,202	1,429	3,094	2,138	1,379	1,558	4,588	8,169	1,462	
Adj PAT	914	1,043	1,202	1,429	3,094	2,138	1,379	1,558	4,588	8,169	1,462	7%
YoY Change (%)	-16.1	24.6	41.9	40.4	238.6	105.0	14.8	9.0	21.0	78.1	2.3	
Margins (%)	35.0	34.4	33.7	41.4	34.8	36.1	26.1	27.2	36.3	31.6	27.2	

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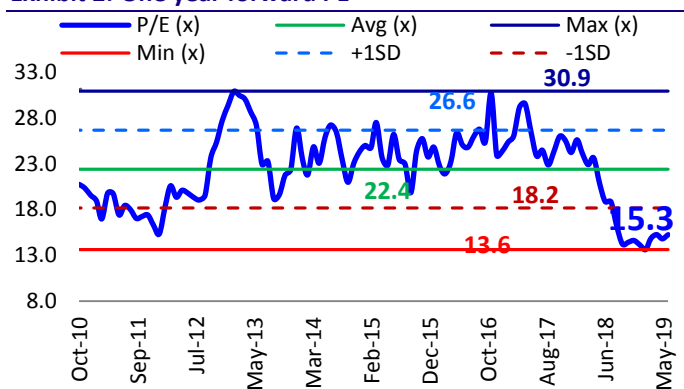
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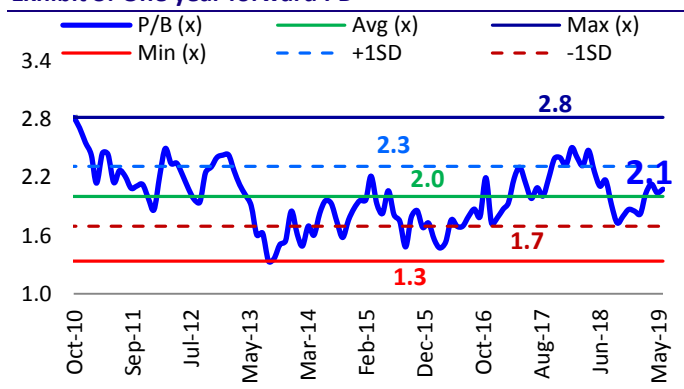
Exhibit 1: Quarterly performance of OBER's residential projects (4QFY19)

Residential Projects	Area Booked (sf)	Units Booked	Sales Value (INRm)	Amount Collected (INRm)	Revenue Recognized (INRm)
Exquisite	-	-	1	76	1
Esquire	46,700	19	978	986	978
Prisma	-	-	-	48	-
360 west	24,420	3	1051	613	-
Eternia	9,970	6	148	305	771
Enigma	12,580	5	175	207	282
Sky City	51,508	32	839	1,788	2,333
Total	145,178	65	3,191	4,024	4,366

Source: MOFSL, Company

Exhibit 2: One year forward PE

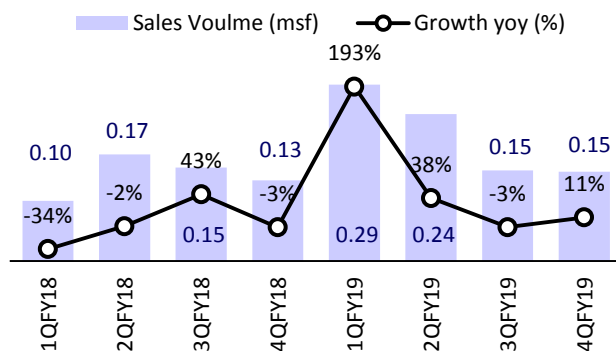
Source: MOFSL

Exhibit 3: One year forward PB

Source: MOFSL

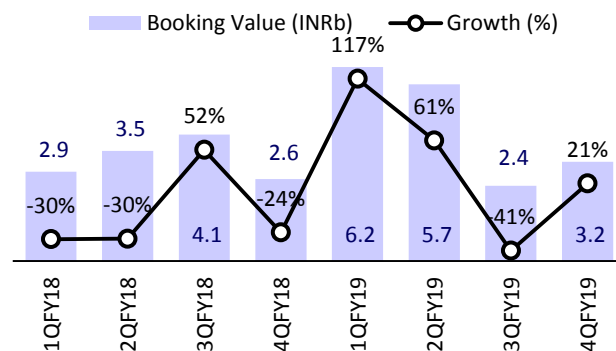
Story in Charts

Exhibit 4: Volumes grew 11% in 4QFY19 (YoY)



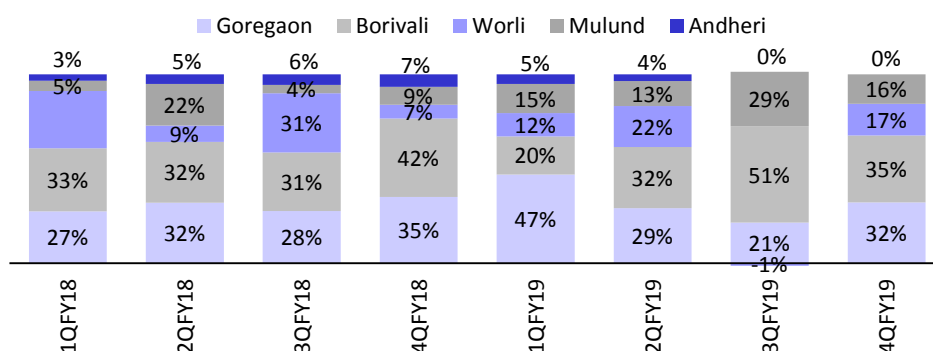
Source: Company, MOFSL

Exhibit 5: Booking value grew 21% YoY in 4QFY19



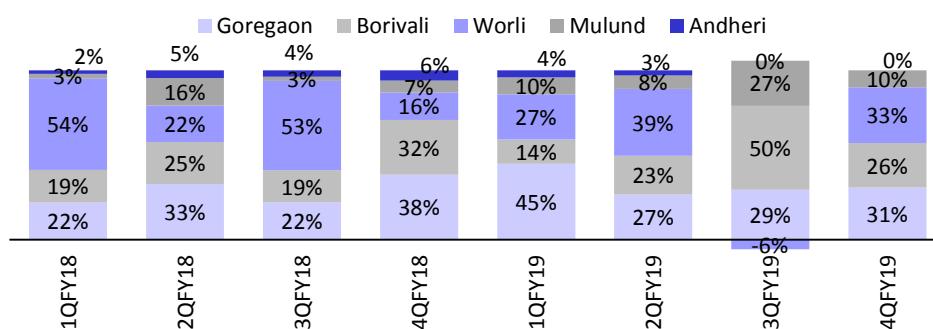
Source: Company, MOFSL

Exhibit 6: Goregaon and Borivali projects were key contributors to sales volume (4QFY19)

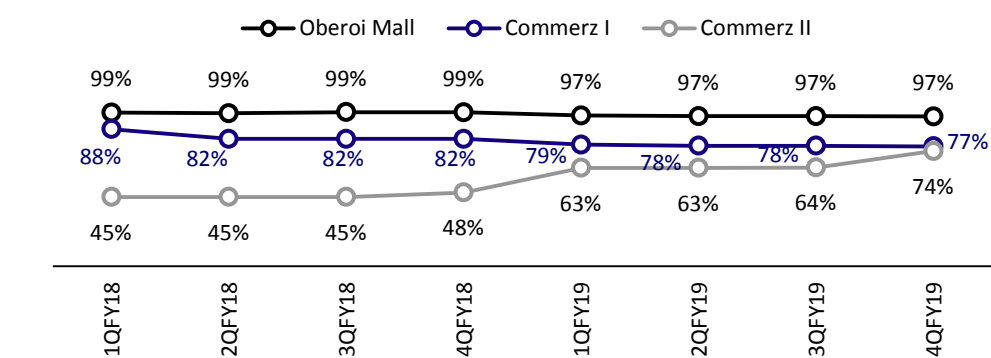


Source: Company, MOFSL

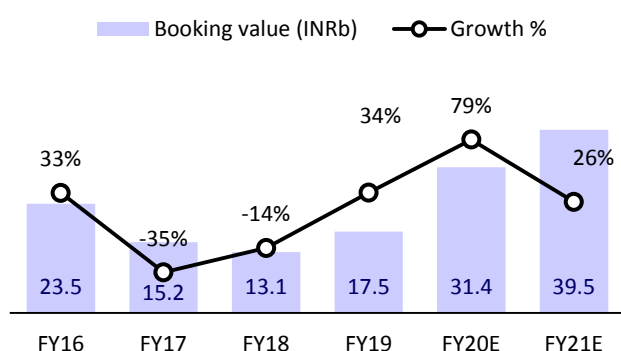
Exhibit 7: Goregaon, Worli and Borivali projects were key contributors to booking value



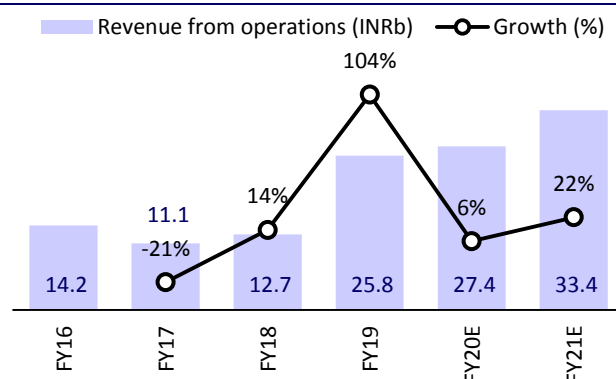
Source: Company, MOFSL

Exhibit 8: Scale-up in Commerz II occupancy to aid growth

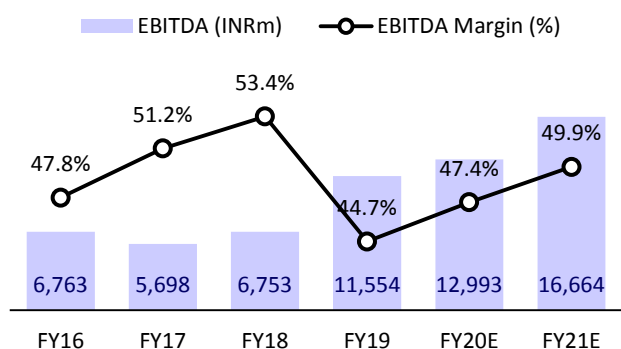
Source: MOFSL, Company

Exhibit 9: Booking value to grow 50% over FY19-21E

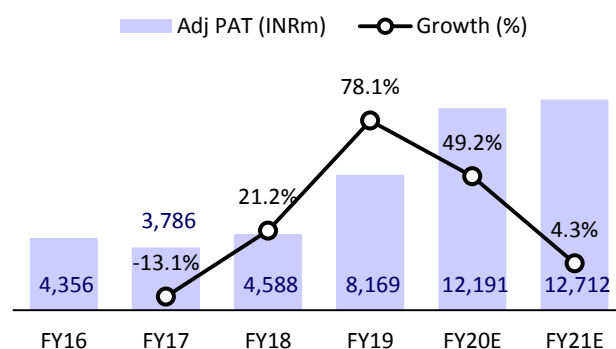
Source: Company, MOFSL

Exhibit 10: Revenue to grow at 14% CAGR over FY19-21E

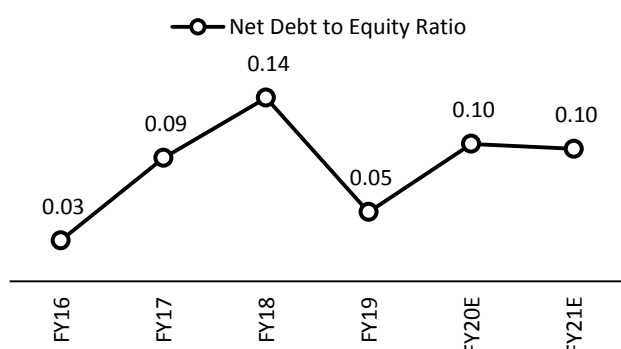
Source: Company, MOFSL

Exhibit 11: High EBITDA margins backed by premium pricing

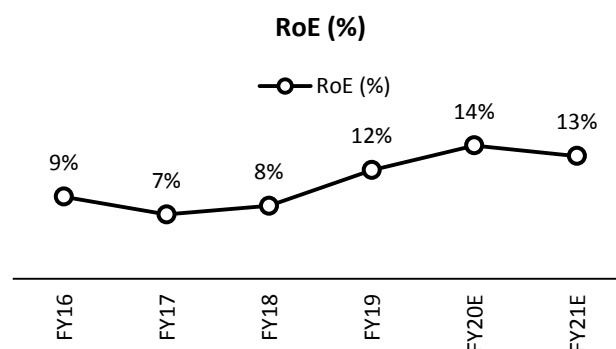
Source: Company, MOFSL

Exhibit 12: PAT to grow at 25% CAGR over FY19-21E

Source: Company, MOFSL

Exhibit 13: Low net debt to equity ratio

Source: Company, MOFSL

Exhibit 14: ROE trend

Source: Company, MOFSL

Financials and Valuations

Consolidated - Income Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Total Income from Operations	10,476	7,985	9,227	14,162	11,138	12,654	25,825	27,386	33,411
Change (%)	27.0	-23.8	15.6	53.5	-21.4	13.6	104.1	6.0	22.0
Operating Cost	3,715	2,897	3,148	6,295	4,288	4,679	12,472	12,324	14,367
Employees Cost	383	443	527	571	642	672	734	844	970
Other Expenses	257	298	414	533	511	551	1,066	1,226	1,410
Total Expenditure	4,356	3,637	4,089	7,398	5,440	5,901	14,271	14,393	16,746
% of Sales	41.6	45.6	44.3	52.2	48.8	46.6	55.3	52.6	50.1
EBITDA	6,120	4,347	5,138	6,763	5,698	6,753	11,554	12,993	16,664
Margin (%)	58.4	54.4	55.7	47.8	51.2	53.4	44.7	47.4	49.9
Depreciation	285	272	403	490	495	491	440	510	530
EBIT	5,835	4,076	4,735	6,273	5,203	6,262	11,113	12,483	16,134
Int. and Finance Charges	4	3	18	68	56	69	194	91	101
Other Income	999	571	175	428	508	302	788	383	468
PBT bef. EO Exp.	6,830	4,643	4,892	6,632	5,654	6,495	11,707	12,775	16,501
EO Items	0	0	0	0	0	0	0	0	0
PBT after EO Exp.	6,830	4,643	4,892	6,632	5,654	6,495	11,707	12,775	16,501
Total Tax	1,783	1,533	1,721	2,293	1,869	1,907	3,607	3,936	5,084
Tax Rate (%)	26.1	33.0	35.2	34.6	33.0	29.4	30.8	30.8	30.8
Minority Interest/Profit from JV	0	0	0	-16	0	0	-69	-3,352	-1,295
Reported PAT	5,048	3,110	3,171	4,356	3,786	4,588	8,169	12,191	12,712
Adjusted PAT	5,048	3,110	3,171	4,356	3,786	4,588	8,169	12,191	12,712
Change (%)	9.1	-38.4	2.0	37.4	-13.1	21.2	78.1	49.2	4.3
Margin (%)	48.2	39.0	34.4	30.8	34.0	36.3	31.6	44.5	38.0

Consolidated - Balance Sheet

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity Share Capital	3,282	3,282	3,282	3,393	3,395	3,396	3,636	3,636	3,636
Total Reserves	38,339	40,682	43,060	50,018	53,864	57,528	76,656	87,819	99,460
Net Worth	41,621	43,964	46,343	53,411	57,260	60,924	80,292	91,455	103,096
Total Loans	0	761	9,016	4,734	8,687	9,445	8,361	9,861	10,361
Deferred Tax Liabilities	147	220	243	-1,030	-997	371	308	308	308
Capital Employed	41,769	44,944	55,601	57,116	64,949	70,739	88,961	101,624	113,765
Gross Block	7,796	7,850	11,743	10,252	10,417	11,209	12,511	13,011	13,511
Less: Accum. Deprn.	929	1,192	1,595	482	968	1,446	1,886	2,397	2,927
Net Fixed Assets	6,867	6,658	10,148	9,770	9,449	9,763	10,625	10,614	10,584
Goodwill on Consolidation	2,654	2,654	2,654	0	0	0	0	0	0
Capital WIP	3,848	4,337	218	488	1,095	1,126	1,251	8,567	16,725
Total Investments	0	496	0	14,511	18,243	24,200	29,378	28,378	26,878
Curr. Assets, Loans&Adv.	39,522	40,725	58,180	49,040	54,809	67,157	70,031	78,347	87,398
Inventory	12,448	16,491	34,818	33,393	37,664	42,467	41,655	50,894	56,004
Account Receivables	522	862	828	1,122	1,058	1,812	1,094	2,251	2,746
Cash and Bank Balance	10,725	4,998	2,937	3,119	3,458	1,167	4,253	554	249
Loans and Advances	15,827	18,375	19,598	11,406	12,630	21,711	23,030	24,648	28,399
Curr. Liability & Prov.	11,122	9,926	15,599	16,692	18,648	31,508	22,325	24,282	27,820
Account Payables	297	243	353	425	535	1,454	2,323	2,343	2,726
Other Current Liabilities	10,035	8,895	14,405	16,238	18,076	30,033	19,974	21,909	25,058
Provisions	790	789	841	29	37	21	28	30	36
Net Current Assets	28,401	30,799	42,582	32,348	36,161	35,649	47,707	54,065	59,578
Appl. of Funds	41,769	44,944	55,601	57,116	64,948	70,739	88,961	101,624	113,765

E: MOFSL Estimates

Financials and Valuations

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Basic (INR)									
EPS	13.9	8.6	8.7	12.0	10.4	12.6	22.5	33.5	35.0
Cash EPS	14.7	9.3	9.8	13.3	11.8	14.0	23.7	34.9	36.4
BV/Share	114.5	120.9	127.5	146.9	157.5	167.6	220.8	251.5	283.5
DPS	2.3	1.9	1.9	2.0	2.0	2.0	2.1	2.5	2.6
Payout (%)	15.2	24.7	24.9	18.8	21.6	17.8	10.7	8.4	8.4
Valuation (x)									
P/E			61.3	44.7	51.4	42.4	23.8	16.0	15.3
Cash P/E			54.4	40.1	45.4	38.3	22.6	15.3	14.7
P/BV	4.7	4.4	4.2	3.6	3.4	3.2	2.4	2.1	1.9
EV/Sales			20.3	12.9	16.8	15.0	7.2	7.0	5.7
EV/EBITDA			36.5	27.1	32.8	28.1	16.1	14.7	11.5
Dividend Yield (%)	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5
FCF per share	0.7	-16.7	-26.8	12.2	2.9	-8.3	-7.0	-16.1	-4.7
Return Ratios (%)									
RoE	12.8	7.3	7.0	8.7	6.8	7.8	11.6	14.2	13.1
RoCE	12.8	7.2	6.4	7.7	6.2	6.8	10.4	9.4	10.7
RoIC	17.7	8.8	7.0	9.0	8.6	10.2	15.6	14.6	16.7
Working Capital Ratios									
Fixed Asset Turnover (x)	1.3	1.0	0.8	1.4	1.1	1.1	2.1	2.1	2.5
Asset Turnover (x)	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Leverage Ratio (x)									
Net Debt/Equity	-0.3	-0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1

Consolidated - Cash Flow Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
OP/(Loss) before Tax	6,831	4,644	4,892	6,632	5,623	6,459	11,707	12,775	16,501
Depreciation	285	272	403	490	495	491	440	510	530
Interest & Finance Charges	-821	-384	787	332	-319	-129	-594	-292	-367
Direct Taxes Paid	-1,698	-1,412	-1,531	-2,115	-1,825	-2,108	-3,607	-3,936	-5,084
(Inc)/Dec in WC	-3,016	-8,100	-13,840	-659	-2,180	-6,771	-8,972	-10,058	-5,817
CF from Operations	1,581	-4,980	-9,288	4,680	1,794	-2,059	-1,025	-1,000	5,763
Others	-162	-193	-95	-149	-56	0	69	3,352	1,295
CF from Operating incl EO	1,419	-5,173	-9,383	4,531	1,738	-2,058	-956	2,352	7,058
(Inc)/Dec in FA	-1,181	-482	293	-398	-763	-773	-1,427	-7,815	-8,658
Free Cash Flow	238	-5,655	-9,090	4,133	976	-2,831	-2,383	-5,464	-1,600
(Pur)/Sale of Investments	0	88	45	140	82	24	-5,177	1,000	1,500
Others	-1,684	-153	49	-2,048	-4,071	-5,994	788	383	468
CF from Investments	-2,865	-547	386	-2,307	-4,752	-6,743	-5,817	-6,432	-6,691
Issue of Shares	0	0	1	3,258	60	17	12,000	0	0
Inc/(Dec) in Debt	0	761	8,255	-3,010	3,820	8,306	-1,084	1,500	500
Interest Paid	0	0	-552	-683	-527	-996	-194	-91	-101
Dividend Paid	-763	-768	-768	-1,607	0	-818	-876	-1,027	-1,071
Others	0	0	0	0	0	0	12	0	0
CF from Fin. Activity	-763	-8	6,936	-2,042	3,353	6,510	9,859	381	-672
Inc/Dec of Cash	-2,209	-5,727	-2,061	182	339	-2,291	3,086	-3,699	-305
Opening Balance	12,934	10,725	4,998	2,937	3,119	3,458	1,167	4,253	554
Closing Balance	10,725	4,998	2,937	3,119	3,458	1,167	4,253	554	249

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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