

Elysian new tower launch drives strong presales...

About the stock: Oberoi Realty (ORL) is a Mumbai-focused premium real estate developer with a presence in the residential, commercial and hospitality segments.

- Residential portfolio of ~15.7 mn sq ft of ongoing projects and further launches provides strong growth and cash flow visibility over medium term with superior product quality, timely delivery record & strong balance sheet

Q3FY22 Results: ORL reported a strong operating performance.

- The company sold ~1.04 msf, up 104% YoY, with sales value of ₹ 1965 crore, up 102% YoY driven by newly launched *Elysian Tower B* in Goregaon in the last week of October 2021
- On the financial front, reported revenues were muted YoY at ₹ 832 crore with residential segment revenue recognition, which was at ₹ 709.1 crore, up ~0.8% YoY. PAT was at ₹ 467.5 crore, (up 63% YoY), with beat due to recognition of Worli projects (under profit from associates)

What should investors do? ORL's share price has grown at ~22% CAGR over the past five years.

- We maintain HOLD rating on the company. Further value accretion will be seen once new foray into non MMR and society redevelopment projects are seen

Target Price and Valuation: We value ORL at ₹ 1000/share.

Key triggers for future price performance:

- Uniquely positioned in MMR's premium residential segment; eyeing opportunities beyond MMR region over medium term
- Moving towards a balanced mix of retail, commercial and hospitality assets - provides stability to slow-moving and volatile revenue streams
- Recovery in malls, hotels and office assets post Covid
- Strong cash flow visibility from ongoing and planned projects

Alternate Stock Idea: Besides ORL, we like Phoenix Mills in the real estate space.

- Leading retail developer with strong expansion ahead
- BUY with a target price of ₹ 1200



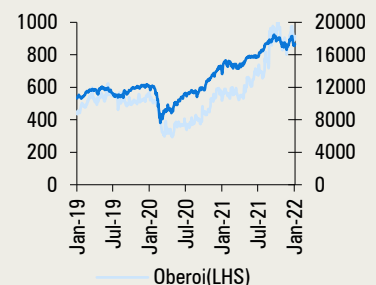
Particulars

Particular	₹ crore
Market Capitalization	33,298
Total Debt (FY21)	1,534
Cash (FY21)	133
EV	34,699
52 week H/L (₹)	1052 / 515
Equity capital	363.6
Face value (₹)	10.0

Shareholding pattern

	Mar-21	Jun-21	Sep-21	Dec-21
Promoters	67.7	67.7	67.7	67.7
DII	4.9	5.9	7.2	8.6
FII	24.9	23.5	22.2	20.5
Other	2.6	2.9	2.9	3.3

Price Chart



Key Risks

Key Risk: (i) Slowdown in residential real estate; (ii) Addition of new projects

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Key Financial Summary

₹ crore	FY20	FY21	5 yr CAGR (FY16-21)	FY22E	FY23E	FY24E	3 yr CAGR (FY21-24E)
Net Sales	2237.6	2052.6	8.0%	2573.5	2764.3	4948.1	34.1%
EBITDA	1048.0	1000.4	8.4%	1190.1	1184.7	2123.3	28.5%
EBITDA Margin (%)	46.8	48.7		46.2	42.9	42.9	
Net Profit	689.3	739.3	11.7%	1020.1	1063.6	1512.8	27.0%
EPS (₹)	19.0	20.3		28.1	29.3	41.6	
P/E (x)	48.3	45.0		32.6	31.3	22.0	
EV/EBITDA (x)	30.4	33.0		27.3	27.6	15.0	
RoE (%)	7.9	7.9		8.0	6.8	11.6	
RoCE (%)	10.8	9.1		9.8	8.7	14.3	

Source: Company, ICICI Direct Research

Key business highlight and outlook

Strong sales volume; new launches key for volumes ahead

OLR sold ~1.04 msf, up 104% YoY, with sales value of ₹ 1965 crore, up 102% YoY driven by newly launched Elysian Tower B in Goregaon in the last week of October 2021 (details of project wise bookings on page 5). Also, the company is expecting to launch a new project in Thane in Q4FY22 or Q1FY23 (we bake in Q1FY23), with delay being due to change in design. Additionally, the management is contemplating launching subsequent phase of Borivali/Goregaon in FY23. On a healthy base of 1.7 msf sales volume in FY21, we bake in 1.8 msf, 2.2 msf, 2.5 msf volumes in FY22E, FY23E, and FY24E respectively, with Borivali/Thane/Goregaon volumes traction driving the same along with pick up in Worli.

Hospitality recovers fast, commercial stable

Performance of Westin improved drastically during Q3FY22 (revenue up 121% YoY to ₹ 24.9 crore) with occupancy level at 72.2% and increase in average room rates (to ₹ 6,918 in Q3FY22 vs. ₹ 5,669 in Q3FY21). For Commerz-II, the occupancy level remains stable of 97.4% while rental rate declined to ₹ 142/sq ft per month (vs. ₹ 148/sq ft per month in Q3FY21). Stable occupancy and decline in rental rate in Commerz-II translated into 3.8% YoY fall in revenue (to ₹ 32.5 crore). Going forward, the management expects rental rates and occupancy, both, to inch upward with easy accessibility to under-construction near-by metro station. Commerz-I revenues improved 16.3% YoY to ₹ 7.1 crore with increase in occupancy level to 53.5%. The management expects the occupancy in Commerz-I to improve in the medium term with uptick in demand for office space arising during normalized period. Commerz-III, having ~2.4 mn sq ft area, is under construction and already ~50% got leased. For Oberoi Mall, the company has booked revenue of ₹ 24.7 crore during Q3FY22 (vs ₹ 49.9 crore reported in Q3FY21). We highlight that base quarter had cumulative revenues recorded for previous quarters during wave 1.

Key conference call takeaways

- The management seems optimistic on strong demand in upcoming projects with overall pick-up in real estate demand, volume recovery, favourable term with the suppliers, site consolidation coupled with its strong brand value. Parallel to its focus on the MMR region, the company is also actively looking forward towards non-MMR region and society redevelopment projects
- ORL is considering the large land buying opportunities available in the MMR region. The management believes the company's internal cash flows would be sufficient for new and growth capex while its debt levels are unlikely to increase significantly over the near-to-medium term
- ORL has applied for occupation certificate of Three Sixty West project with completion of construction activities and expects elevated level of sales from the project in the near-to-medium term. The company's share in net revenue ranges from 25–40% for the residential component
- ORL has paid ₹ 1,381 crore towards premium for ~8 mn sq ft area FSI from August 2021-till date. ORL is also looking to launch a residential project at Thane during Q4FY22, Q1FY23 after undertaking modification in designs and amendments to some lifestyle-related-profiles. The company has already paid ₹ 200 crore towards premium for required FSIs. The project is likely to contribute significantly to the sales count in FY23, FY24
- The management expects a rise in units/flat prices across major locations with increase in demand and rise in input costs
- Operating margin during Q3FY22 moderated due to a change in product mix with higher contribution from comparatively lower margin projects and conservative revenue/margin recognition method
- During Q3, it acquired 4.3 acres parcel in Bhandup for ~₹ 115 crore (plus taxes). The development plan would be shared in coming quarters

We expect sales momentum in FY23 to be robust driven by new launches in Thane and Goregaon/Borivali subsequent phases. However, at the CMP, a lot of these expectations are priced in. We maintain HOLD with a target price of ₹ 1000/share. Further value accretion will be seen once new foray into non MMR and society redevelopment projects are seen. A pick-up in Worli also remains key.

Exhibit 1: Variance Analysis

	Q3FY22	Q3FY22E	Q3FY21	YoY (Chg %)	Q3FY22	QoQ (Chg %)	Comments
Income from Operation	832.0	889.5	828.4	0.4	754.3	10.3	
Other Income	14.2	14.3	9.2	54.8	14.3	-0.6	
Operating Cost	461.9	415.0	373.6	23.6	344.0	34.3	
Employee cost	15.7	16.0	14.7	6.7	15.6	0.9	
Other expenditure	22.8	44.5	57.6	-60.3	21.5	6.0	
EBITDA	331.6	414.0	382.5	-13.3	373.1	-11.1	
EBITDA Margin (%)	39.9	46.5	46.2	-632 bps	49.5	-962 bps	
Depreciation	9.9	10.3	10.3	-4.3	10.1	-2.2	
Interest	20.0	17.1	20.2	-1.0	17.1	16.5	
PBT	315.9	400.8	361.1	-12.5	360.2	-12.3	
Taxes	83.7	105.0	74.3	12.6	95.4	-12.2	
PAT	467.5	297.8	286.7	63.1	266.6	75.4	

Key Metrics

Sales Volume (in sq ft)	10,40,679	5,10,383	103.9	4,43,806	134.5
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Source: Company, ICICI Direct Research

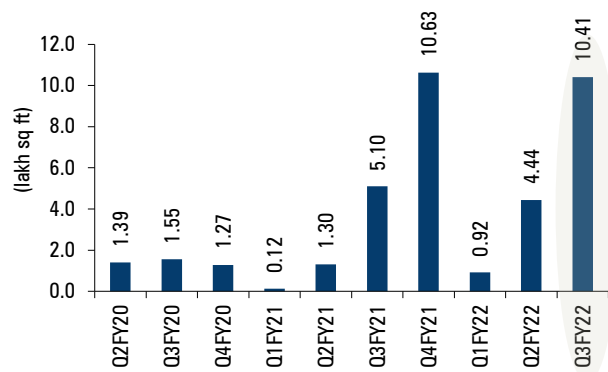
Exhibit 2: Change in estimates

	FY20	FY21	FY23E			FY23E			FY24E	
(₹ Crore)			Old	New	% Change	Old	New	% Change	New	
Revenue	2237.6	2052.6	2442.1	2573.5	5.4	2915.6	2764.3	-5.2	4948.1	Realign estimates
EBITDA	1048.0	1000.4	1139.3	1190.1	5.4	1300.4	1184.7	-5.2	2123.3	
EBITDA Margin (%)	46.8	48.7	46.7	46.2	-41 bps	44.6	42.9	-175 bps	42.9	
PAT	689.3	739.3	952.9	1020.1	7.0	1071.8	1063.6	-0.8	1512.8	
EPS (₹)	19.0	20.3	26.2	28.1	7.0	19.5	29.3	-0.8	41.6	

Source: Company, ICICI Direct Research

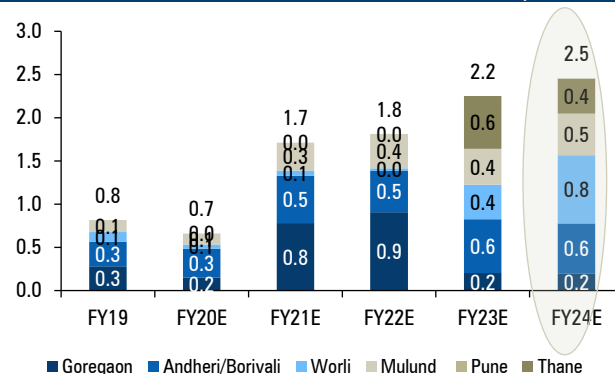
Company Analysis

Exhibit 3: Quarterly sales volumes trend



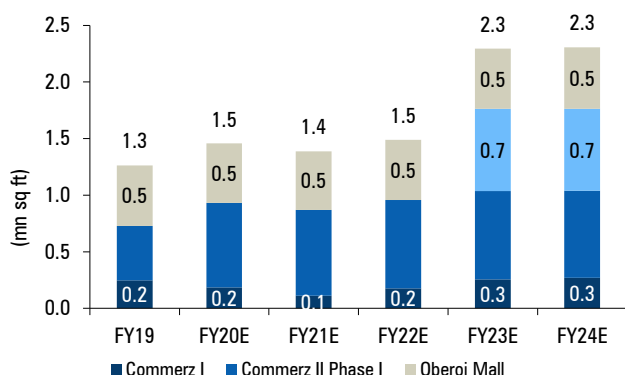
Source: Company, ICICI Direct Research

Exhibit 4: Sales volumes in FY23 to be driven by Thane



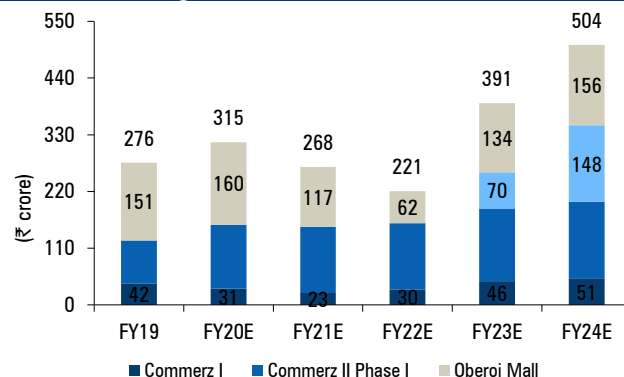
Source: Company, ICICI Direct Research

Exhibit 5: Leasing trend



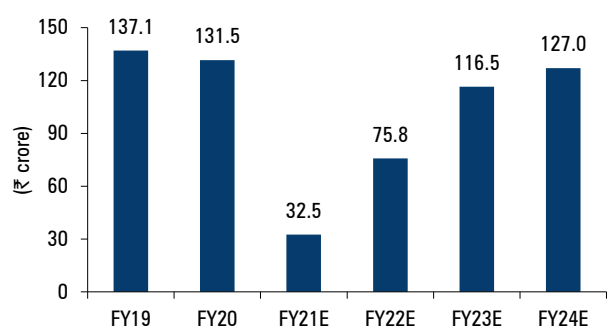
Source: Company, ICICI Direct Research

Exhibit 6: Leasing revenues trend



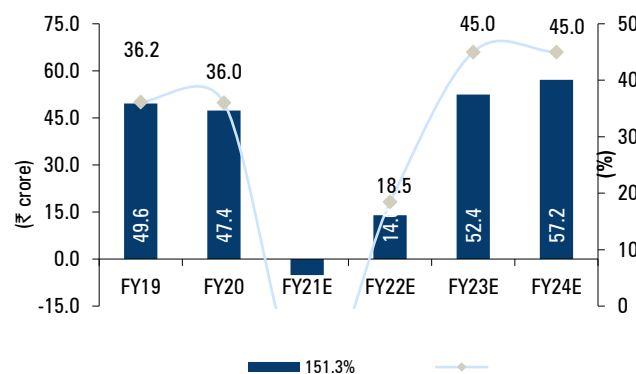
Source: Company, ICICI Direct Research

Exhibit 7: Hotel revenue trend



Source: Company, ICICI Direct Research

Exhibit 8: Westin's operating profit trend



Source: Company, ICICI Direct Research

Exhibit 9: Ongoing residential projects operational metrics

Particulars	Q3FY22	Q2FY22	Q1FY22	Q4FY21	Q3FY21
Area Booked (sq ft)					
Oberoi Esquire	44055	100672	9992	64416	106579
Oberoi Exquisite	11790	14635	11705	14710	11620
Three Sixty West	0	-9562		9526	24614
Maxima	75444	27417	6861	43498	36637
Prisma	-	-	2800	-	-
Eternia	49530	40000	6940	45360	52570
Enigma	68462	64710	12182	97891	103688
Sky City	223572	132872	31610	255527	174675
Elysian	5,67,826	72,960	10,038	5,32,188	
Total	10,40,679	4,43,704	92,128	10,63,152	5,10,383
Sales Value (₹ crore)					
Oberoi Esquire	107.4	238.9	22.8	148.2	234.1
Oberoi Exquisite	23.0	33.3	26.0	36.0	27.0
Three Sixty West	-	(38.6)	-	48.4	121.3
Maxima	118.9	44.5	11.3	66.6	61.1
Prisma	-	-	6.2	-	-
Eternia	76.0	59.7	11.2	69.4	76.8
Enigma	102.9	98.8	19.5	153.3	157.2
Sky City	403.0	246.4	54.8	443.9	293.3
Elysian	1133.9	145.73	18.11	991.02	
Avg. Realization for the quarter (₹/sq ft)					
Oberoi Esquire	24,385	23,729	22,848	23,011	21,968
Oberoi Exquisite	19,542	22,754	22,247	24,439	23,270
Three Sixty West		40,316		50,777	49,277
Maxima	15,765	16,213	16,412	15,313	16,688
Prisma			22,107		
Eternia	15,338	14,925	16,138	15,300	14,603
Enigma	15,023	15,268	16,015	15,664	15,160
Sky City	18,027	18,540	17,346	17,373	16,789
Elysian	19,969	19,974	18,041	18,622	
Project Completion (%)					
Oberoi Esquire	100.0	100.0	100.0	100.0	100.0
Oberoi Exquisite	100.0	100.0	100.0	100.0	100.0
Three Sixty West	*	*	*	*	*
Maxima	61.0	56.0	53.0	52.0	*
Prisma	100.0	100.0	100.0	100.0	100.0
Eternia	71.0	69.0	67.0	66.0	68.0
Enigma	67.0	66.0	64.0	62.0	66.0
Sky City	84.0	83.0	81.0	79.0	75.0
Elysian	*	*	*	*	
Inventory as on Date (sq ft)					
Oberoi Esquire	53190	97247	197919	207911	272327
Oberoi Exquisite	4374	16174	30809	42514	57224
Three Sixty West	1631374	1631374	1621812	1621812	1631374
Maxima	104494	273240	300657	307518	351016
Prisma	6371	6371	6371	9171	9171
Eternia#	1293320	1342850	1382850	1389790	1044690
Enigma#	1186320	1254782	1319492	1331674	1150034
Sky City#	923610	1147182	1280054	1308817	794848
Elysian	1317588	565201	638161	643362	

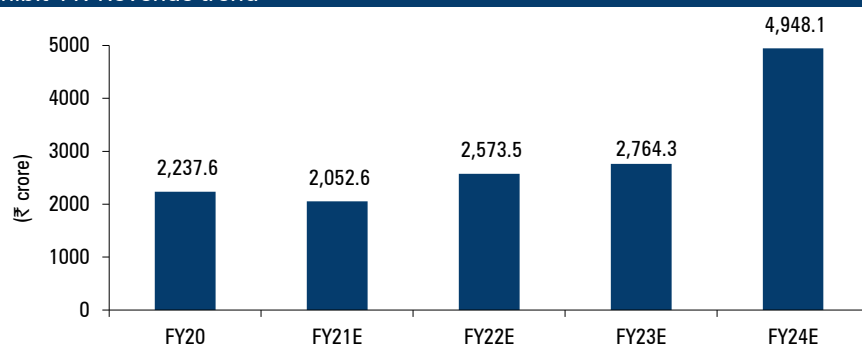
Source: Company, ICICI Direct Research

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

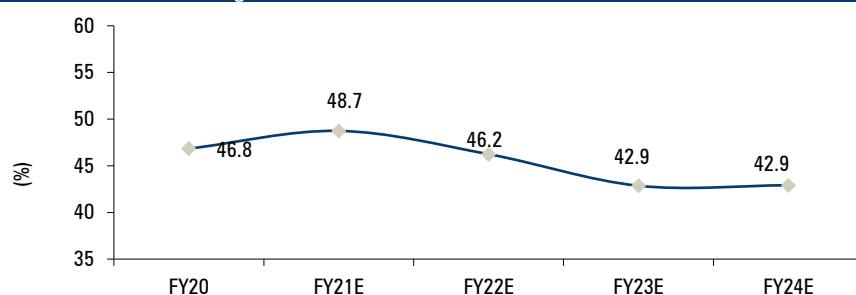
	Q3FY22	Q2FY22	Q1FY22	Q4FY21	Q3FY21
Oberoi Mall (Retail Property)					
Operating Revenue (₹ crore)	24.7	3.8	3.2	30.2	49.9
EBITDA margin (%)	94.2	50.3	63.0	25.2	97.1
Occupancy (%)	96.2	94.6	92.6	93.5	93.4
Realisation (₹/sqft/month)	NA	NA	NA	NA	NA
Commerz I (Commercial Space)					
Operating Revenue (₹ crore)	7.1	7.1	7.2	6.7	6.1
EBITDA margin(%)	91.5	91.6	91.5	73.1	92.1
Occupancy (%)	53.5	53.5	53.5	45.6	41.6
Realisation (₹/sqft/month)	142	142	143	140	149
Commerz II Phase I (Commercial Space)					
Operating Revenue (₹ crore)	32.5	32.1	32.0	29.5	33.8
EBITDA margin(%)	95.3	94.7	94.2	91.3	98.0
Occupancy (%)	97.4	97.4	97.4	97.4	93.4
Realisation (₹/sqft/month)	142	140	140	133	148
The Westin Mumbai Garden City (Hospitality)					
Operating Revenue (₹ crore)	24.9	16.4	7.8	12.2	11.3
EBITDA margin(%)	23.9	16.6	-34.6	3.3	-0.7
Average Room Rate (₹)	6918	4378	4685	5260	5669
Occupancy (%)	72.2	83.7	38.7	44.2	37.0
RevPAR (₹)	5001	3637	1764	2285	1957

Source: Company, ICICI Direct Research

Financial story in charts

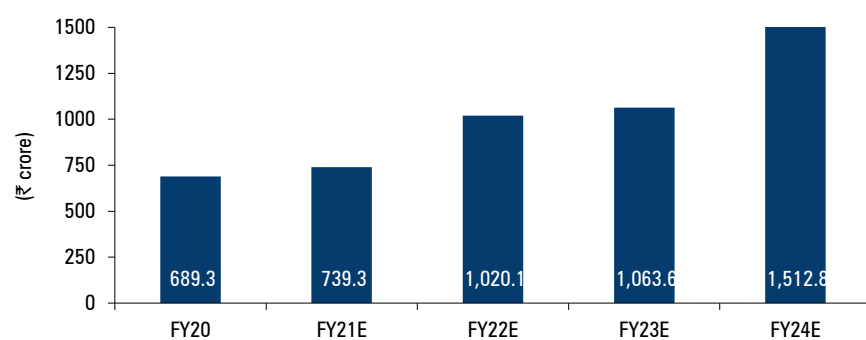
Exhibit 11: Revenue trend


Source: Company, ICICI Direct Research

Exhibit 12: EBITDA margin trend


Source: Company, ICICI Direct Research

Exhibit 13: PAT trend



Source: Company, ICICI Direct Research

Valuation Table

We maintain HOLD rating on the company with a target price of ₹ 1000. Further value accretion will be seen once new foray into non MMR and society redevelopment projects are seen. Launch of Thane and traction in Worli will be the other key monitorable for the company.

Exhibit 14: Valuation

Location	Type	Status	NAV	NAV Multiple	Value (₹ cr)	₹/share
Goregaon			11,318.7		11,318.7	311.3
Oberoi Mall	Retail	Completed	2,184.7	1.0	2,184.7	60.1
Commerz I	Commercial	Completed	338.8	1.0	338.8	9.3
Westin	Hotel	Completed	786.3	1.0	786.3	21.6
Exquisite I	Residential	Ongoing	156.1	1.0	156.1	4.3
Esquire	Residential	Ongoing	530.2	1.0	530.2	14.6
Commerz II Phase I	Commercial	Ongoing	1,447.9	1.0	1,447.9	39.8
Elysian	Residential	Ongoing	1,759.8	1.0	1,759.8	48.4
Commerz II Phase II	Commercial	Planned	4,003.1	1.0	4,003.1	110.1
Oberoi International school	Social Infrastructure	Ongoing				
Education complex		Planned	111.9	1.0	111.9	3.1
Hospital		Planned				
Andheri/Borivali			5,789.9		5,789.9	159.2
Oberoi Maxima	Residential	Ongoing	198.9	1.0	198.9	5.5
Oberoi Prisma	Residential	Ongoing	3.0	1.0	3.0	0.1
Oberoi Splendour IT park	Commercial	Planned	79.6	1.0	79.6	2.2
Oberoi Splendour school	Social Infrastructure	Planned	14.7	1.0	14.7	0.4
Borivali	Residential	Ongoing	3,227.6	1.0	3,227.6	88.8
Borivali	Mall	Planned	2,266.1	1.0	2,266.1	62.3
Worli			5,612.9		5,612.9	154.4
Oasis Residential	Residential	Ongoing	3,704.0	1.0	3,704.0	101.9
Oasis Hospitality	Hotel	Ongoing	689.5	1.0	689.5	19.0
I-Ventures	Residential	Planned	1,219.4	1.0	1,219.4	33.5
Thane	Residential	Planned	3,625.4	1.0	3,625.4	99.7
Mulund			2,431.6		2,431.6	66.9
Eternia	Residential	Ongoing	1,220.2	1.0	1,220.2	33.6
Enigma	Residential	Ongoing	1,116.5	1.0	1,116.5	30.7
Mulund Commercial	Commercial	Planned	94.9	1.0	94.9	2.6
Pune			106.5		-	-
Sangam city - Residential	Residential	Planned	43.2	-	-	-
Sangam city - Commercial	Commercial	Planned	33.7	-	-	-
Sangam city - Retail	Retail	Planned	29.7	-	-	-
Net cash/ (Debt)			1,503.8	1.0	1,503.8	41.4
Total			30,388.9	1.0	30,282	833
20% Premium to NAV for growth			6,077.8		6,056.5	166.6
Rounded off Target price						1,000

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 15: Profit and loss statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Net Sales	2,052.6	2,573.5	2,764.3	4,948.1	
Other Operating Income	0.0	0.0	0.0	0.0	
Total Operating Income	2,052.6	2,573.5	2,764.3	4,948.1	
Growth (%)	-8.3	25.4	7.4	79.0	
Operating Costs	890.8	1,197.6	1,375.2	2,599.9	
Employee Expenses	49.1	62.4	68.6	75.5	
Other Expenses	112.2	123.5	135.8	149.4	
Total Operating Expenditure	1,052.2	1,383.5	1,579.6	2,824.8	
EBITDA	1,000.4	1,190.1	1,184.7	2,123.3	
Growth (%)	-13.4	19.0	-0.5	79.2	
Depreciation	41.2	53.6	103.6	153.6	
Interest	76.0	107.0	122.0	122.0	
Other Income	38.0	50.0	50.0	50.0	
PBT	921.2	1,079.4	1,009.1	1,897.7	
Prior Period Adjustments	0.0	0.0	0.0	0.0	
Total Tax	185.1	272.0	262.4	493.4	
PAT before profit from associates	736.0	807.4	746.7	1,404.3	
Minority Interest	0.0	0.0	0.0	0.0	
Profit from associates	3.3	212.6	316.9	108.5	
PAT	739.3	1,020.1	1,063.6	1,512.8	
EPS (₹)	20.3	28.1	29.3	41.6	

Source: Company, ICICI Direct Research

Exhibit 16: Cash flow statement					₹ crore
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Profit after Tax	739.3	1,020.1	1,063.6	1,512.8	
Depreciation	41.2	53.6	103.6	153.6	
Interest	76.0	107.0	122.0	122.0	
Others	-41.3	-262.6	-366.9	-158.5	
Net Increase in Current Assets	39.2	-475.8	-394.4	-1,709.2	
Net Increase in Current Liabilities	-303.7	453.7	130.3	932.8	
Net cf from operating activities	550.7	895.9	658.2	853.5	
(Purchase)/Sale of Fixed Assets	-1,682.8	-241.4	-860.7	408.4	
Others	-41.3	-262.6	-366.9	-158.5	
Net cf from Investing Activities	-840.2	21.3	-493.8	567.0	
Inc / (Dec) in Equity Capital	0.4	0.0	0.0	0.0	
Inc / (Dec) in Loan Funds	389.9	500.0	0.0	0.0	
(Payment) of Dividend & Div. Tax	0.0	-255.0	-265.9	-378.2	
Interest paid	-76.0	-107.0	-122.0	-122.0	
Net cf from Financing Activities	314.2	138.0	-387.9	-500.2	
Net Cash flow	24.7	1,055.2	-223.6	920.3	
Opening Cash/Cash Equivalent	108.3	133.1	1,188.2	964.7	
Closing Cash/ Cash Equivalent	133.1	1,188.2	964.7	1,885.0	

Source: Company, ICICI Direct Research

Exhibit 17: Balance Sheet					₹ crore
(Year-end March)	FY21E	FY22E	FY23E	FY24E	
Equity Capital	363.6	363.6	363.6	363.6	
Preference Capital	0.0	0.0	0.0	0.0	
Reserve and Surplus	9,005.5	9,770.6	10,568.3	11,702.9	
Total Shareholders funds	9,369.1	10,134.2	10,931.9	12,066.5	
Total Debt	1,533.8	2,033.8	2,033.8	2,033.8	
Total Liabilities	12,019	13,738	14,666	16,733	
Assets					
Gross Block	1,289.8	1,339.8	2,589.8	3,839.8	
Less Accumulated Depreciation	276.0	329.6	433.2	586.8	
Net Block	1,013.8	1,010.2	2,156.6	3,253.0	
Capital WIP	1,979.7	2,171.1	1,781.8	123.4	
Total Fixed Assets	2,993.5	3,181.3	3,938.4	3,376.4	
Goodwill on consolidation	0.0	0.0	0.0	0.0	
Investments	1,652.7	1,652.7	1,652.7	1,652.7	
Inventory	4,662.6	4,567.7	4,570.7	4,565.5	
Debtors	128.0	113.8	333.5	82.6	
Loans and Advances	1,731.3	2,316.2	2,487.9	4,453.3	
Cash	133.1	1,188.2	964.7	1,885.0	
Other Current Assets	664.6	664.6	664.6	664.6	
Total Current Assets	7,319.6	8,850.6	9,021.4	11,650.9	
Creditors	1,115.0	1,568.7	1,699.0	2,631.8	
Provisions	0.8	0.8	0.8	0.8	
Net Current Assets	6,203.7	7,281.0	7,321.6	9,018.2	
Deferred Tax Assets	53.1	53.1	53.1	53.1	
Total Assets	12,019	13,738	14,666	16,733	

Source: Company, ICICI Direct Research

Exhibit 18: Key ratios				
(Year-end March)	FY21E	FY22E	FY23E	FY24E
Per share data (₹)				
EPS	20.3	28.1	29.3	41.6
Cash EPS	21.5	29.5	32.1	45.8
BV	257.7	278.7	300.7	331.9
Operating profit per share	27.5	32.7	32.6	58.4
Cash Per Share	3.7	32.7	26.5	51.8
Operating Ratios (%)				
EBITDA Margin	48.7	46.2	42.9	42.9
PBT / Net Sales	44.9	41.9	36.5	38.4
PAT Margin	35.9	31.4	27.0	28.4
Inventory days	829	648	604	337
Debtor days	23	16	44	6
Creditor days	198	223	224	194
Return Ratios (%)				
RoE	7.9	8.0	6.8	11.6
RoCE	9.1	9.8	8.7	14.3
RoIC	13.5	16.0	12.7	19.0
Valuation Ratios (x)				
P/E	45.0	32.6	31.3	22.0
EV / EBITDA	33.0	27.3	27.6	15.0
EV / Net Sales	16.1	12.6	11.8	6.4
Market Cap / Sales	16.2	12.9	12.0	6.7
Price to Book Value	3.6	3.3	3.0	2.8
Solvency Ratios (x)				
Debt / EBITDA	1.5	1.7	1.7	1.0
Debt / Equity	0.2	0.2	0.2	0.2
Current Ratio	6.4	4.9	4.7	3.7
Quick Ratio	2.3	2.0	2.1	2.0

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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