



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- The company increased its net debt to equity ratio from 0.16x in FY22 from 0.13x in FY21.
- ROCE of the company improved to 11.36% in FY22 from 7.78% in FY21.
- Consolidated EBITDA stood at Rs. 1181 cr grew by 17.98% YoY with margin of 44% (decreased by 500 Bps YoY). Revenue for the quarter stood at Rs.2694 cr, up 31.25% YoY.

2. MANAGEMENT COMMENTARY:

- The operating revenue from Oberoi Mall stood at Rs.80.3 crore in Q4 FY22.
- The operating revenue from Commerz was Rs.7.28 crore with occupancy at 53.5% in Q4 FY22. The leased area was 1,67,784 sq. ft. and revenue per sq. ft. per month during the same period stood at Rs.145.
- During the quarter, Commerz II reported an operating revenue of Rs.27.2 crore with occupancy at 80.9%.
- Westin Mumbai Garden City's operating revenue during the quarter stood at Rs.22.8 crore, with occupancy at 74.7% and average room rate & RevPAR (revenue per available room) at ₹7,166 and ₹5,397, respectively.

3. PRICE PERFORMANCE (%)

Particulars	3 M	1 Y
Oberoi Realty	-10.74	35.71
Nifty Realty	-6.41	21.71
Nifty 50	0.33	7.94

4. CONCALL SUMMARY:

- For the Exquisite project, the area booked under it till date, stood at 15,47,610 sq. ft. The booking value and revenue recognized till date was Rs.2,625 crore.
- Till date, for Esquire and Elysian the area booked was 21,14,108 sq. ft. and 12,80,414 sq. ft. The booking value for both the above projects stood at Rs.3,735.6 crore and Rs.2,483.2 crore, respectively.
- For Exquisite, Esquire & Elysian the area and units booked in Q4 FY22 stood at 4,374 sq. ft., 45,267 sq. ft., and 97,402 sq. ft., respectively & 1, 18 and 27 units, respectively. The sales value & amount collected from the above projects during the same period was Rs.12.3 crore, Rs.116.5 crore and Rs.194.5 crore, respectively & Rs.21.3 crore, Rs.117.5 crore and Rs.263.6 crore, respectively.
- For Maxima, Eternia & Enigma the area and units booked in Q4 FY22 was 54,915 sq. ft., 65,900 sq. ft., 81,618 sq. ft., respectively & 24, 38 and 29 units, respectively. The sales value & amount collected from the above projects during the same period was Rs.86.9 crore, Rs.101.4 crore, and Rs.124.3 crore, respectively & Rs.93.6 crore, Rs.43.9 crore and Rs.51.7 crore, respectively.
- In Q4 FY22, the area & units booked and amount collected & revenue recognised from Sky City project was 1,84,377 sq. ft. & 98 units and Rs.326.9 crore & Rs.337.3 crore, respectively.
- The company saw a steady increase in demand from commercial real estate segment, as the workforce started returning to offices.
- In Q4 FY22, the company had acquired two land parcels, one at Kolshet (Thane) and another one at Peddar road (Mumbai).
- The project in Mulund is expected to be completed by December 2022.
- The company declared Final Dividend of Rs.3/ share for the year FY22.
- Operating Margin for FY22 stands at 43.9%
- Net Profit for the FY22 stands at 1047 cr (up 41.6% YoY) and Revenue from operations for the FY22 stands at 2694 cr (up 31.3% YoY).

5. VALUATION AND OUTLOOK:

- With a robust (7msf) near term launch pipeline across projects in Borivali, Goregaon and Thane and Rs.100 billion of inventory nearing completion in Mulund and worli, the sales run rate is expected to remain strong over the next three- to-four years.
- Strong cash generation will enable business development and further growth visibility in future.
- As per channel checks, Company is likely to differentiate itself from the competition by offering larger 3BHK/4BHK units starting Rs.30 million.
- We initiate BUY rating on stock and value the stock at 20x FY24 earnings to arrive at the target of Rs.946.**

RECOMMENDATION – BUY

CMP –795.4

TARGET – 946 (18.9%)

Industry	Construction- Real Estate
NSE CODE	OBEROIRLTY
BSE CODE	533273
Market Cap (₹ Cr)	28834
Shares outstanding (in Cr)	36.36
52 wk High/Low (₹)	1052/580
P/E	32.6
P/BV	3.3
Face Value (₹)	10.0
Book Value (₹)	286.5
EPS (₹)	28.8
Dividend Yield (%)	0.0
Debt / Equity	0.16
Interest coverage	14.41

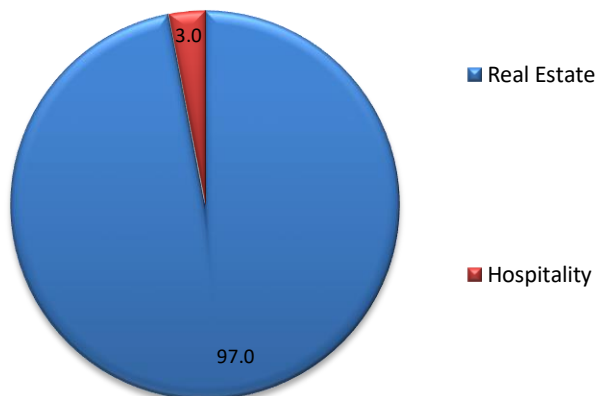
SHAREHOLDING PATTERN

	Mar 22	Dec 21	Sep 21
Promoters	67.7	67.7	67.7
Mutual Funds	7.9	7.3	6.0
FII/FPI	20.3	20.5	22.2
Non Institutions	2.9	3.1	2.8
Promoter Pledging	0.0	0.0	0.0

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2022A	2023E	2024E
Core			
Sales	2694	4012	4512
Sales Gr. (%)	31.3	48.9	12.5
EBITDA	1513	1959	2159
EBITDA mrg. (%)	44	48.8	47.8
PAT	1047	1649	1718
EPS (₹)	28.8	45.4	47.3
EPS Gr. (%)	41.7	57.6	4.2
Ratios			
RoE (%)	10.1	14.1	13.5
RoCE (%)	9.3	11.2	11.1
Valuation			
P/E (x)	32.6	21	20
Net Debt/ equity	0.16	0.1	(0.0)

Particulars	TTM	5 Yr Avg
Historical P/E :	26.3	28.0
Industry P/E :	42.8	
Historical P/B :	2.6	2.21
Industry P/B :	2.8	

REVENUE SPLIT (%) FY22

QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY21				FY22				FY23		FY22	FY23E*
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1QE*			
Net sales	118	316	828	790	284	754	832	823	945	2694	4012	
YoY change (%)	-80.4	-35.7	57.1	28.4	140.9	138.6	0.4	4.2	232.7	31.3	48.9	
Total Expenditure	60	130	446	417	159	381	500	471	502	1513	2053	
EBITDA	58	186	382	374	125	373	332	352	443	1181	1959	
Margins (%)	49.2	58.9	46.1	47	44	49	40	43	46.9	44	48.8	
Depreciation	11	10	10	10	10	10	10	10	12	40	90	
Interest	18	18	20	20	17	17	20	32	33	86	76	
Other income	9	9	9	11	11	14	250	19	21	298	312	
PBT	38	167	361	355	108	360	552	330	419	1354	2105	
Tax	12	31	74	68	29	95	84	98	121	307	456	
Rate (%)	29	18	21	19	26	26	15	30	28.9	23.0	21.7	
Adjusted PAT	27	136	287	287	79	265	468	232	298	1047	1649	
YoY change (%)	-82.4	-0.35	95.93	14.80	196.9	94.51	76.6	-19.2	277.2	41.7	57.5	
Key Performance Indicators												
RM Cost (% of Sales)	-31.17	-2.14	18.14	21.0	1.6	-7.5	-23.8	-14.9	-	-14	-	
Staff Cost (% of Sales)	9.94	3.21	1.78	1.6	5.5	2.1	1.9	2.6	-	0	-	
Other Costs (% of Sales)	121.23	98.9	80.1	77.4	92.9	105.4	121.9	112.3	-	114	-	
EBITDA Margin (%)	49	59	46	47	44	49	40	43	46.9	44	48.8	
PAT Margin (%)	22.9	43.1	34.7	36.3	27.8	35.1	56.2	28.2	31.5	38.9	41.1	

Source: Company, Hem Securities Research.

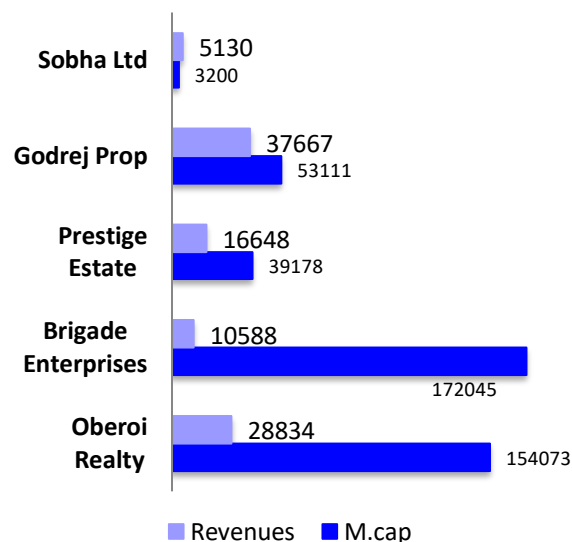
***Insights into the assumptions:**

- 1> Expected to see sharp growth in FY23 on the back of Owning to the improving demand dynamics and a strong sales performance in FY22.
- 2> Near term focus of company is to de leverage the balance sheet.
- 3> We expect EBITDA and PAT margins to improve in line with dedicated cost cutting efforts by the company.

INDUSTRY OVERVIEW

- Real estate sector is one of the most globally recognized sectors. It comprises of four sub sectors - housing, retail, hospitality, and commercial. The growth of this sector is well complemented by the growth in the corporate environment and the demand for office space as well as urban and semi-urban accommodations.
- By 2040, real estate market will grow to Rs. 65,000 crore (US\$ 9.30 billion) from Rs. 12,000 crore (US\$ 1.72 billion) in 2019. Real estate sector in India is expected to reach a market size of US\$ 1 trillion by 2030 from US\$ 120 billion in 2017 and contribute 13% to the country's GDP by 2025. Retail, hospitality, and commercial real estate are also growing significantly, providing the much-needed infrastructure for India's growing needs.
- Demand for residential properties has surged due to increased urbanization and rising household income. India is among the top 10 price appreciating housing markets internationally.
- As per ICRA estimates, Indian firms are expected to raise >Rs. 3.5 trillion (US\$ 48 billion) through infrastructure and real estate investment trusts in 2022, as compared with raised funds worth US\$ 29 billion to date.
- Private market investor, Blackstone, which has significantly invested in the Indian real estate sector (worth Rs. 3.8 lakh crore (US\$ 50 billion), is seeking to invest an additional Rs. 1.7 lakh crore (US\$ 22 billion) by 2030. Overall Real Estate sector is in bull trend.

KEY PLAYERS



PEER PERFORMANCE

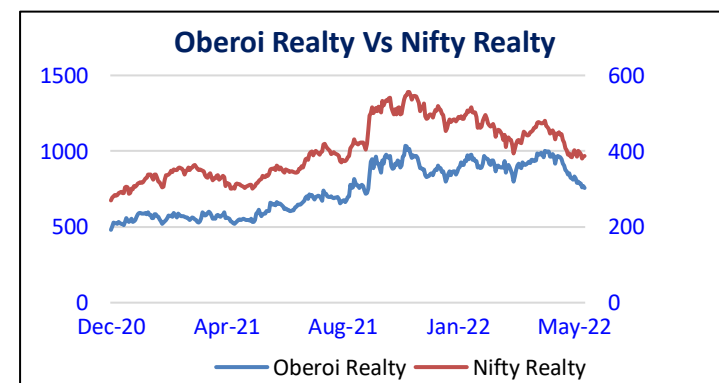
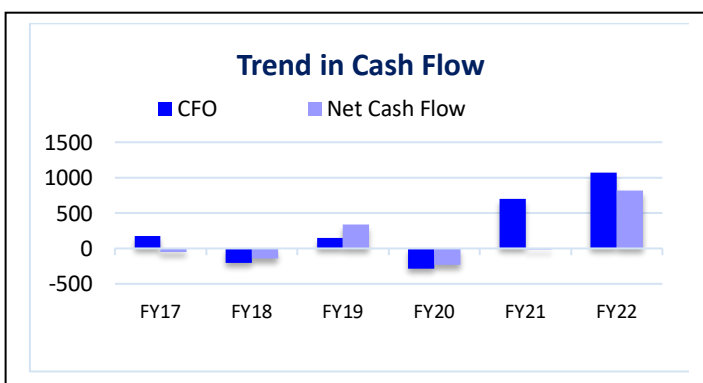
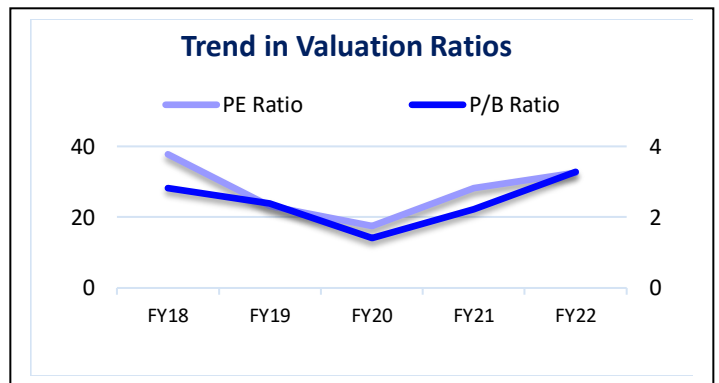
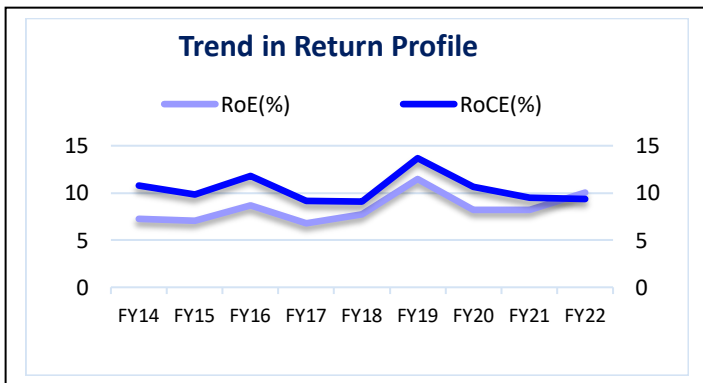
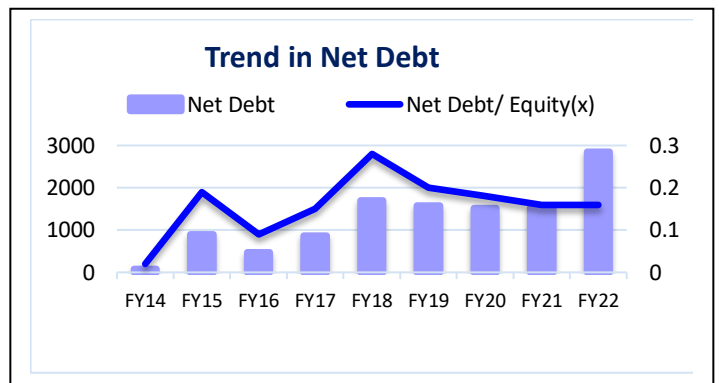
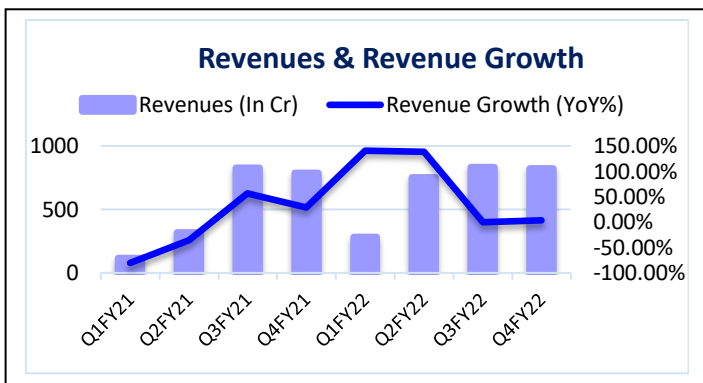
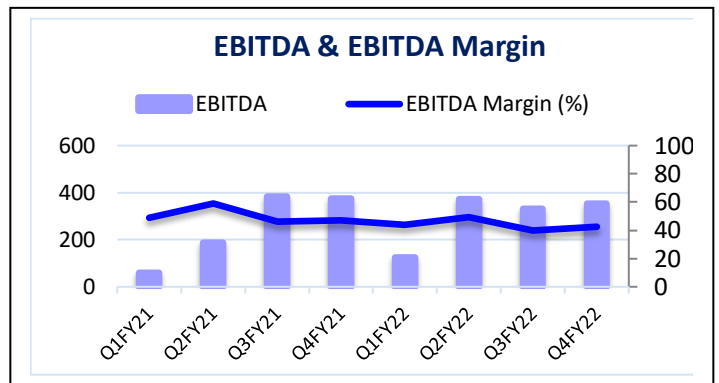
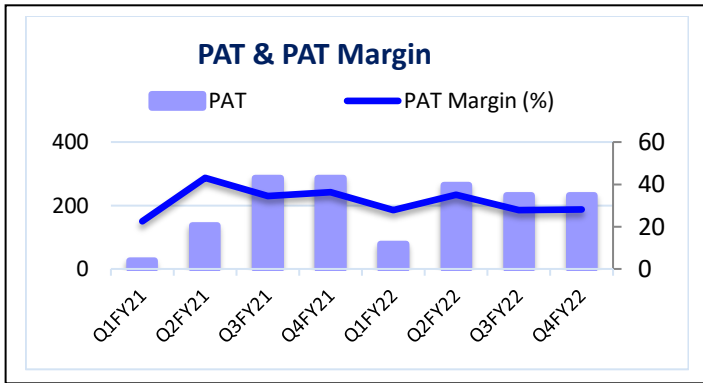
(₹ Cr)

Particulars	Oberoi Realty	Brigade Enterprises	Prestige Estate	Godrej Properties	Sobha
Market Cap	28834	10588	16648	37667	5130
Net Sales	2694	2999	6390	1825	2731
EBITDA	1181	766	1517	-56	889
PAT	1047	83	1150	352	117
EPS (Rs)	28.8	3.6	28.69	12.68	12.31
EBITDA MARGIN %	44	26	24	-3	33
PAT MARGIN %	38.9	2.7	18.0	19.3	4.3
ROCE %	9.3	6.4	8.7	8.9	27.7
ROE %	10.0	2.8	12.6	4.1	4.7
P/E	32.6	-140.8	17.2	131.9	57.5
P/B	3.3	4.1	2.2	5.4	2.7
EV/EBITDA	29.6	18.9	14.1	56.3	9.2
Debt to Equity	0.16	1.7	0.7	0.6	0.9
Return on assets	6.7	0.5	3.8	1.9	1.0

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- Company 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. They has maintained discipline and delivered sustainable growth, thanks to their 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.
- With demonetisation and RERA implementation, organized players such as OBER benefited immensely from their brand value and high quality. Also, company gained from historically low lending rates, tax cuts, and consumer preference for ready-to-move-in/timely-completed projects.
- Given the established brand and favourable dynamics, OBER will continue to capitalize on upcoming opportunities.
- 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.
- OBER has always maintained a disciplined approach with regard to land acquisition, following a need-based strategy rather than a market-based one. Company 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. Prudent use of funds has thus ensured that capital is efficiently used and leverage stays under control.

RISK FACTORS:

- 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.
- 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. reason in the country, then it can have a detrimental effect on the demand for steel products

COMPANY RECAP

- Oberoi Realty Ltd is a real estate development company, headquartered in Mumbai. It is the part of Oberoi Realty Group, focused on developments in the residential, office space, retail, hospitality, and social infrastructure verticals.
- Company has categorized its revenue into three categories:-
 - **Residential Projects (81%):** Projects Like Seven, Exquisite, Esquire and recent project, three sixty west.
 - **Rental Income(16%):** It includes rental income from investment properties like Malls and commercial spaces.
 - **Hospitality & Property management Services(4%):** It includes services like the sale of rooms, food and beverages and allied services relating to hotel operations.
- 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. The company earns revenue from the development and sale of free-sale portion on a revenue-sharing basis. Company'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.
- Company 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.
- 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. 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.
- 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.



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement

	2017	2018	2019	2020	2021	2022	(₹ Cr)	
March							2023E	2024E
Revenue from operations	1113.6	1265.4	2,582.5	2237.6	2052.6	2694	4012	4512
Growth YoY (%)	-21.4	13.6	104.1	-13.4	-8.3	31.3	48.9	12.5
Total Expenditure	554.1	590.1	1427.2	1189.7	1052.2	1513	2053	2353
(%) of sales	49.8	46.6	55.3	53.2	51.3	56.2	51.2	52.1
EBITDA	559.6	675.3	1155.3	1048	1000.4	1181	1959	2159
EBITDA Growth (%)	-14.14	13.7	75.8	-11.2	-5.3	18.1	65.9	10.2
EBITDA Margin (%)	55.4	55.5	47.8	49.0	50.6	44	48.8	47.8
Depreciation	49.5	49.1	44.0	44.9	41.2	40	90	150
EBIT	611.8	695	1214.8	1007.9	962.4	1141	1869	2009
Growth (%)	-15.3	15.0	82.3	-11.6	-5.2	18.6	63.8	7.5
Interest Expenses	5.6	6.9	19.4	88.5	76.0	86	76	51
Other Income	57.8	26.6	78.8	48.4	38.0	298	312	256
Exceptional Items	0.0	-	-	-	-	-	-	0.0
Earnings before Taxes	562.3	645.9	1170.7	963.0	921.2	1353	2105	2214
Growth (%)	-15.2	14.7	81.3	-17.7	-4.3	46.9	55.6	5.2
EBT Margin (%)	50.5	51.0	45.3	43.0	44.9	50.2	52.5	49.1
Tax-Total	186.9	190.7	360.7	279.0	185.1	306	456	496
Rate of tax (%)	33.2	29.5	30.8	29.0	20.1	23	21.7	22.4
Net Profit	375.5	455.2	810.0	683.4	736.0	1047	1649	1718
Growth (%)	13.5	21.2	78.0	-15.6	7.7	42.2	57.5	4.2
PAT Margin (%)	33.7	36.0	31.4	30.5	35.9	38.9	41.1	38.1
EPS	11.2	13.5	22.5	19.0	20.3	28.8	45.4	47.3
EPS Growth (%)	-13.2	21.2	66.3	-15.6	7.2	41.9	57.6	4.2

Balance Sheet

Y/E March	2017	2018	2019	2020	2021	2022
Equity Share Capital	340.0	340	364	364	364	364
Reserves & Surplus	5386	5753	7666	8266	9006	10053
Total Shareholder's Funds (A)	5726	6093	8030	8630	9370	10417
Long Term Borrowings	869	1694	1586	1519	1534	2855
Non-Controlling Interest	-	-	-	-	-	-
Total Non-Current Liabilities (B)	869	1694	1586	1519	1534	2855
Advance from customers	30	37	6	8	10	-
Trade Payables	47	131	208	61	72	393
Other Liability Items	1788	2234	1268	976	1034	2026
Total Current Liabilities (C)	1865	2401	1482	1045	1116	2419
Total Equity and Liabilities (A+B+C)	8460	10188	11098	11194	12020	15691
Property, Plant & Equipment	945	976	1062	1046	1014	980
Capital Work in progress	110	113	126	305	1980	3297
Investments	1824	2420	2938	2406	1620	2679
Total Non-Current Assets (A)	2879	3509	4126	3757	4614	6956
Inventory	3766	4247	4165	5317	4663	5036
Debtors	106	181	109	115	128	125
Cash and Bank Balance	346	117	425	108	133	293
Loans and advances	1242	2022	2084	1261	1825	484
Other Current Assets	121	112	188	633	657	2796
Total Current Assets (B)	5581	6679	6972	7435	7406	8734
Total Assets(A+B)	8460	10188	11098	11194	12020	15691

Source: Company, Hem Securities Research.



Ratios						
Y/E March (Basic (INR))	2017	2018	2019	2020	2021	2022
Profitability and return ratios						
Net profit margin (%)	33.71	35.9	31.4	30.5	35.9	38.9
EBITDA margin (%)	55.43	55.5	47.8	48.9	50.6	44.0
EBIT margin (%)	50.9	51.6	46.1	46.9	48.6	42.4
ROE (%)	6.8	7.7	11.5	8.2	8.2	10.1
ROCE (%)	9.2	9.1	13.7	10.6	9.5	9.3
Working Capital & liquidity ratios						
Payables (Days)	34.7	61.1	28.1	50.8	57.1	-
Inventory (Days)	1164.3	1155.6	594.5	773.4	887.3	-
Receivables (Days)	35.7	41.4	20.5	18.3	21.6	17
Current Ratio (x)	2.9	1.9	3.0	2.9	3.3	3.1
Valuations Ratios						
EV/sales (x)	11.7	14.9	7.9	6.1	10.9	11.7
EV/EBITDA (x)	21.1	26.9	16.5	12.4	21.5	29.6
P/E (x)	32.9	6.0	23.5	17.6	28.3	32.6
P/BV (x)	2.2	2.8	2.4	1.4	2.2	3.3
Dividend Yield (%)	0.5	0.4	0.4	0.0	0.0	0.0
Return on Assets (%)	4.8	4.9	7.7	6.2	6.4	6.7
Leverage Ratio						
Debt/Equity (x)	0.2	0.3	0.2	0.2	0.2	0.16

Cash Flow Statement

Y/E March	2017	2018	2019	2020	2021	2022
CF from Operating activities (A)	174	-202	146	-282	703	1069
CF from Investing Activities (B)	-559	-592	-646	358	-597.5	-1390
CF from Financing Activities (C)	335	651	839	-309	-116	1142
Net Cash Flow	-50	-143	338	-233	-11	821
Add: Opening Bal.	286	236	93	431	198	187
Closing Balance	236	93	431	198	187	1008

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
30 TH May 2022	BUY	946

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