

Oberoi Realty

Sharp recovery

ORL surprised positively as pre-sales volume recovered to 93% of 2QFY20 level. Booking value also rebounded to Rs 3.3bn during the quarter (vs 3.2bn in 2QFY20) on higher realization. We expect the momentum to continue for ORL, given the stamp duty cut, low-interest rate, strong brand recognition and market consolidation. Residential launches remain on track in Borivali, Goregaon and Thane. Besides, the company is mulling a platform to unlock value from existing commercial office space. We tweak our FY21/22/23 estimates by +2/-4/-3% and maintain BUY with a revised TP of Rs 497.

- **2QFY21:** ORL reported 2QFY20 revenue at Rs 1.2bn (-36% YoY, 168% QoQ), 7% ahead of our estimates. Revenue includes Rs 145mn mall rental income of 1QFY21. RPAT came in at Rs 1.4bn, a decline of 8% YoY and a beat of 49% on our estimates. As per management, labor availability has improved to pre-COVID level; hence, execution could improve in 2HFY21.
- **Sharp rebound in pre-sales:** Oberoi Realty reported robust pre-sales volume as it sold 42 units in the quarter, compared to 5 units in 1QFY21. Basis management commentary, sales would have been better if not for Shradh, an inauspicious period for buying, during September. Although, pre-sales volume fell by 7% YoY, booking value increased by 1%, as realization in the majority of the projects improved on sale of higher floor apartments.
- **50% rent waiver for the mall tenants:** ORL had offered 50% rent waivers to tenants of the Oberoi Mall and in turn had asked to extend the lease term by 1 year. As per ORL, tenants responded favorably and have opened up most of the stores. Rental collection in the commercial portfolio remained stable sequentially, as ORL reported Rs 380mn revenue from Commerz I & II.
- **Balance sheet position comfortable:** Consolidated net debt remained stable at Rs 13.6bn (vs Rs 13.7bn on Jun-20 end) with net D/E at 0.15x (0.16x on Jun-20 end), which is comfortable in our view. However, gross debt increased by Rs 2bn, as ORL shored up liquidity for potential expansion opportunities. With the sequential improvement in collections to Rs 1.8bn (vs 0.85bn in 1QFY21), ORL generated positive operating cash flow of Rs 1.2bn.

Quarterly/Annual Financial summary

(Rs mn)	2QFY21	2QFY20	YoY	1QFY21	QoQ	FY20	FY21E	FY22E	FY23E
Net Sales	3,161	4,915	(35.7)	1,180	167.8	22,376	14,919	20,250	23,451
EBITDA	1,865	2,129	(12.4)	579	221.9	10,480	6,584	8,526	9,987
APAT	1,269	1,381	(8.1)	281	351.9	6,893	7,612	7,105	8,602
Diluted EPS (Rs)	3.5	4.1	(8.1)	0.8	351.9	19.0	20.9	19.5	23.7
P/E (x)						20.9	18.9	20.3	16.7
EV / EBITDA (x)						15.1	23.0	18.0	15.3
RoE (%)						8.3	8.5	7.3	8.3

Source: Company, HSIE Research, Consolidated financials

Estimate change summary

Particulars	FY21E			FY22E			FY23E		
	New	Old	% diff	New	Old	% diff	New	Old	% diff
Revenues (Rs mn)	14,919	14,783	0.9	20,250	20,475	(1.1)	23,451	23,448	0.0
EBITDA (Rs mn)	6,584	6,458	2.0	8,526	9,006	(5.3)	9,987	10,386	(3.8)
EBITDA (%)	44.1	43.7	44.7	42.1	44.0	(188.2)	42.6	44.3	(170.5)
APAT (Rs mn)	7,612	7,484	1.7	7,105	7,417	(4.2)	8,602	8,838	(2.7)

Source: Company, HSIE Research

BUY

CMP (as on 19 Oct 2020)	Rs 390
Target Price	Rs 497
NIFTY	11,873

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 500	Rs 497
EPS %	FY21E	FY22E
	1.7	(4.2)

KEY STOCK DATA

Bloomberg code	OBER IN
No. of Shares (mn)	364
MCap (Rs bn) / (\$ mn)	142/1,933
6m avg traded value (Rs mn)	176
52 Week high / low	Rs 584/290

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	6.8	1.1	(27.8)
Relative (%)	(2.4)	(26.9)	(30.7)

SHAREHOLDING PATTERN (%)

	June-20	Sep-20
Promoters	67.70	67.70
FIs & Local MFs	4.26	4.48
FPIs	26.15	25.40
Public & Others	1.89	2.42
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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