

Estimate changes
TP change
Rating change


Bloomberg	OBER IN
Equity Shares (m)	364
M.Cap.(INRb)/(USD\$b)	141.6 / 1.9
52-Week Range (INR)	584 / 290
1, 6, 12 Rel. Per (%)	-13/-27/-31
12M Avg Val (INR M)	188

Financials & Valuations (INR b)

Y/E Mar	2020	2021E	2022E
Net Sales	22.4	13.7	21.3
EBITDA	10.5	7.3	11.6
EBITDAM %	46.8	52.8	54.6
NP (INR b)	6.9	5.5	9.9
EPS (INR)	19.0	15.0	27.1
EPS Gr. (%)	-15.6	-20.7	80.6
BV/Sh. (INR)	237	252	280

Ratios

Net D:E	0.1	0.1	0.1
RoE (%)	8.3	6.1	10.2
RoCE (%)	8.0	5.3	7.8

Valuations

P/E (x)	16.4	20.7	11.5
P/BV (x)	1.3	1.2	1.1
EV/EBITDA (x)	11.8	16.7	10.3
EV/Sales (x)	5.5	8.8	5.6

Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	67.7	67.7	67.7
DII	4.7	4.4	4.3
FII	25.4	26.2	25.8
Others	2.2	1.7	2.3

FII Includes depository receipts

CMP: INR389
TP: INR480(+23%)
Buy
Some recovery visible with arrival of festive season

- For FY21, we have broadly maintained our estimates for commercial office space and hospitality. However, we have lowered our estimates for retail due to the delay in normal operation of malls. Moreover, we are enthused by the pickup in residential segment, and thus, have revised our estimates on the upside by 53% for FY21. Maintain **Buy** with a revised TP of INR480.
- Early festive cheer in residential; Commercial office steady**
- 2QFY21 performance:** Revenue was down 35.7% YoY to INR3,161m (v/s est. INR2,595m). EBITDA declined 12% YoY to INR1,865m YoY (v/s est. INR983m). However, EBITDA margins expanded 1,570bp to 59.0% (v/s est. 37.9%). Adj. PAT was flat YoY at INR1,377m (v/s est. INR696m).
- For 1HY21, revenue / EBITDA / adj. PAT declined 60%/45%/43% YoY.
- Residential biz sees strong comeback:** Pre-sales volumes declined 7% YoY to 0.13msf (+958% QoQ), largely driven by strong bookings in the Exquisite and Enigma projects. Booking value was up 1% YoY to INR3,273m. Collections stood at INR1,808m (v/s INR6,954m in 2QFY20 and INR858m in 1QFY21). Site visits have been strong over the last couple of months with better conversion ratio. 2HFY21 looks promising as we move into the festive season.
- Office on steady footing:** Revenue/EBITDA declined 9%/12% YoY to INR854m/INR791m, with EBITDA margin contracting 320bp to 92.6%. Occupancy at Commerze II declined 260bp sequentially to 97.4% while the same at Commerze I remained muted at 34% (same as 1QFY21).
- Revival in Hospitality still sometime away:** Hospitality remained impacted due to travel restrictions. Revenue declined 78% YoY to INR70m with EBITDA loss of INR6m. Near-term outlook for the hospitality segment remains challenging given the prevailing uncertainty around the timeline of resumption of work-related travel.

Key highlights from management commentary

- (a) Sky City Phase II (Borivali) and Exquisite III (Goregaon) are expected to be launched by end-FY21. (b) The company has aggressive plans to monetize its annuity assets (commercial and retail) by bringing in a strategic investor.

Valuation and view

- Re-leasing of vacant space in Commerz I and performance of Oberoi mall due to normalization of operations (opening up of multiplexes) remain the key triggers for annuity assets. Lack of clarity on return to normalcy of work-related travel is likely to pose near-term challenges for the hospitality segment.
- Early festive cheer is visible in residential sales pickup in 2QFY21 (up 1% YoY). OBER's strong pipeline of project launches in 2HFY21 (Exquisite III, Sky City Phase II and Thane (in case unified DCR is finalized)) augurs well for the residential segment as we move into the festive season. We have upgraded our estimates for FY21/22E by 53%/4% to bake in OBER's aggressive launch plans and strong demand dynamics in the residential segment. Maintain **Buy** with a PT of INR480.

Consolidated - Quarterly Earning Model

(INR M)

Y/E March	FY20				FY21E				FY20	FY21E	FY21E	Variance (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE		
Net Sales	6,033	4,915	5,274	6,155	1,180	3,161	4,180	5,224	22,376	13,746	2,595	22%
YoY Change (%)	-32.1	-17.0	-0.2	7.3	-80.4	-35.7	-20.7	-15.1	-13.4	-38.6	-47.2	
Total Expenditure	3,680	2,786	2,975	2,450	601	1,296	2,069	2,522	11,891	6,488	1,613	
EBITDA	2,352	2,129	2,299	3,705	579	1,865	2,111	2,702	10,485	7,257	983	90%
Margins (%)	39.0	43.3	43.6	60.2	49.1	59.0	50.5	51.7	46.9	52.8	37.9	2114bp
Depreciation	111	113	113	112	106	103	130	149	449	487	120	
Interest	239	246	199	201	179	182	195	203	885	759	210	
Other Income	149	136	91	102	88	92	110	108	478	399	93	
PBT before EO expense	2,151	1,906	2,078	3,494	383	1,672	1,896	2,458	9,630	6,409	746	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	2,151	1,906	2,078	3,494	383	1,672	1,896	2,458	9,630	6,409	746	
Tax	643	540	615	998	117	311	512	707	2,796	1,647	215	
Rate (%)	29.9	28.3	29.6	28.6	30.6	18.6	27.0	28.8	29.0	25.7	28.9	
Minority Interest & Profit/Loss of Asso. Cos.	-12	-15	-19	-14	-15	-16	-110	-561	-59	-702	-166	
Reported PAT	1,521	1,381	1,482	2,510	281	1,377	1,494	2,312	6,893	5,464	696	
Adj PAT	1,521	1,381	1,482	2,510	281	1,377	1,494	2,312	6,893	5,465	696	98%
YoY Change (%)	-50.9	-35.4	7.5	61.1	-81.5	-0.2	0.8	-7.9	-15.6	-20.7	-49.6	
Margins (%)	25.2	28.1	28.1	40.8	23.8	43.6	35.7	44.3	30.8	39.8	26.8	

E: MOFSL Estimates



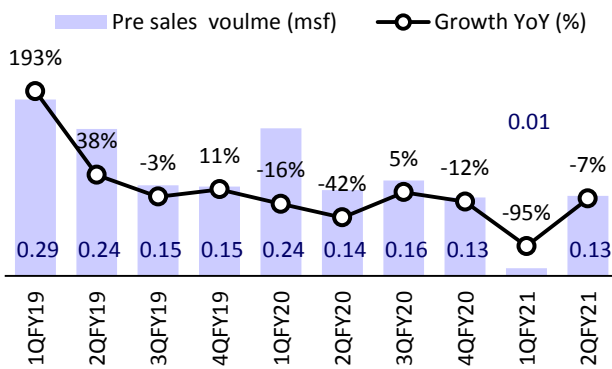
Key highlights from management commentary

- **Residential real estate trends:** Branded Grade A developers are seeing strong traction in demand due to (a) timely completion and delivery of projects, and (b) product quality.
- **Early signs of demand pickup:** 2QFY21 (barring few days of Sep'20 during *Shradh*, an inauspicious period) saw strong pickup in demand. Strong traction in site visitations, better conversion ratio (visits/booking) and demand for larger and ready-to-move-in homes are few of the visible trends. With the traction continuing into Oct'20, 3QFY21 has started on a strong footing too, which can fuel robust demand pickup in 2HFY21.
- **On launch of Sky City Phase II (Borivali):** Despite 34% of unsold inventory in Phase I of Sky City, OBER has planned to launch Phase II in FY21, which is largely on account of (a) availability of only higher floors in Phase I, (b) trying to meet demand of consumers that prefer under construction projects with 3+ years of waiting period (as against 1+ year of waiting period for Phase I), and (c) apartments in Phase I having a servant room, which might see demand during the current COVID situation.
- **Residential project timelines:**
 - Exquisite and Esquire: 100% complete and ready-to-move-in.
 - Sky City Phase I in Borivali – est. completion within 12-15 months.
 - Enigma and Eterna in Mulund – est. completion within 12-15 months.
 - Three Sixty west: Occupancy Certificate to be received within 45-60 days.
- Labor strength is back to pre-COVID levels. This is largely driven by an inability of many grade B developers with weaker financial position to start construction activity due to liquidity constraints. Thus, most of the available labor is channelized into projects by grade A developers, thus, mitigating the supply shortage of labor.

- On mall rental restructuring:** In line with industry norms, OBER has also given 50% waiver on the Minimum Guarantee (MG) rent for FY21 to retailers in Oberoi Mall. For cinemas, they have been given the same deal (50% waiver for FY21), but they are yet to accept it. Additionally, all leases expiring within one year have been extended by 12 months. Most of the permissible area is operational now. Festive season is expected to drive footfalls.
- On issue of INR7b NCDs:** The NCDs were issued to lower the overall cost of capital and extend debt maturity timeline for the portion of debt getting expired within couple of years.

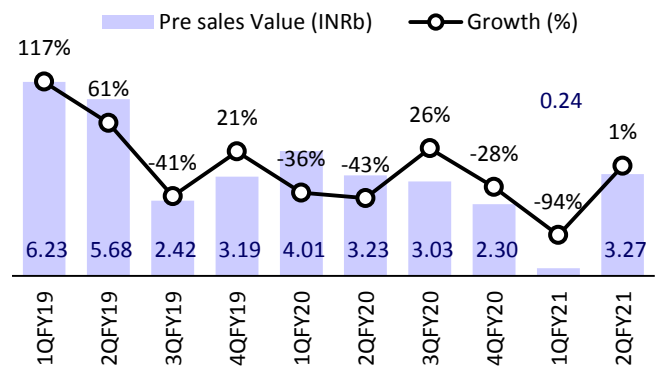
Key Exhibits

Exhibit 1: Pre sales volume down 7% in 2QFY21



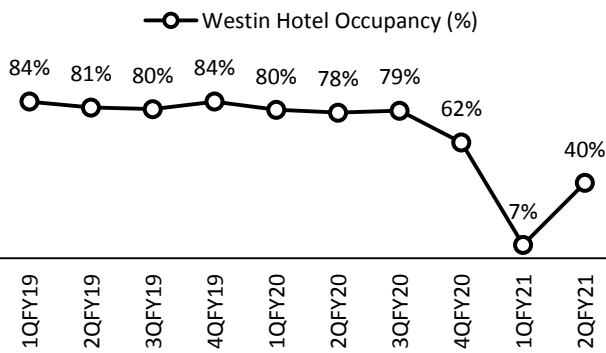
Source: MOFSL, Company

Exhibit 2: Pre sales value grew 1% in 2QFY21



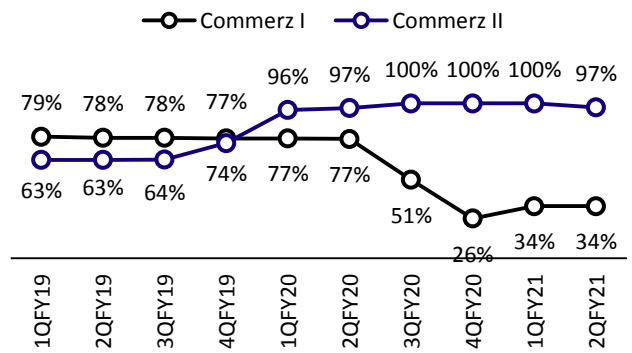
Source: MOFSL, Company

Exhibit 3: Occupancy trend at Westin, Mumbai



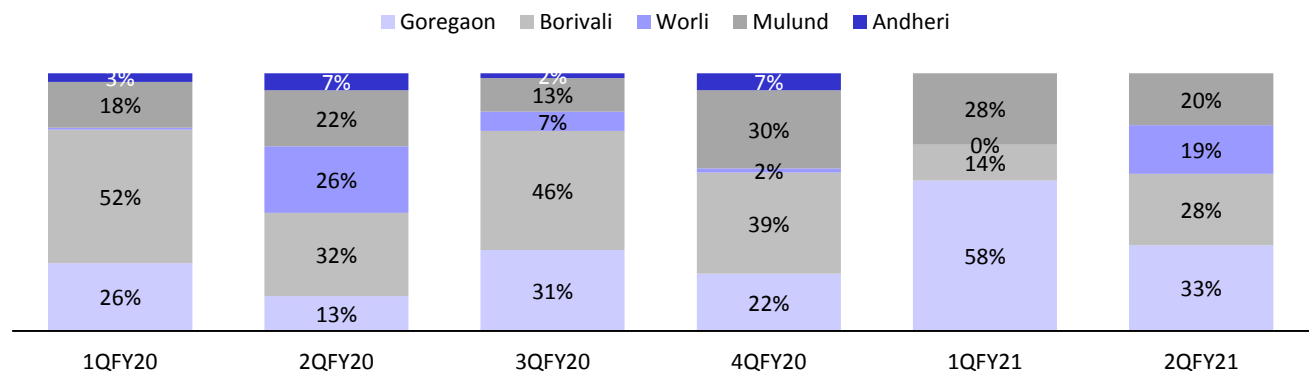
Source: MOFSL, Company

Exhibit 4: Occupancy trend across office portfolio



Source: MOFSL, Company

Exhibit 5: Micro market wise pre sales trend



Source: MOFSL, Company

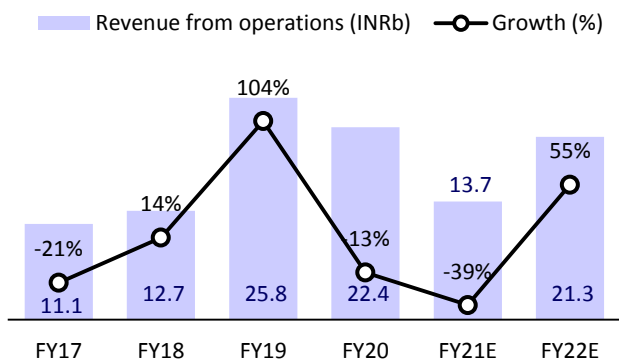
Valuation and view

Consolidation in the industry creates medium-to-long term opportunity

- Early festive cheer is visible in residential sales pickup in 2QFY21 (up 1% YoY) as the company is seeing strong traction in site visits and better conversion ratio (visits/booking). OBER's strong pipeline of project launches in 2HFY21 (Exquisite III, Sky City Phase II and Thane (in case unified DCR is finalized)) augurs well for the residential segment as we move into the festive season. We have upgraded our estimates for FY21/22E by 53%/4% to bake in the strong demand dynamics in the residential segment.
- Re-leasing of vacant space in Commerz I is likely to bring back traction in the commercial office space in 2HFY21.
- Performance of Oberoi mall largely hinges on its normal operations (permitting Multiplexes and Family entertainment to operate), which is lower than expected. We, thus, lower our estimates for the retail segment by 32% for FY21.
- Lack of clarity on return to normalcy of work-related travel is likely to keep the hospitality segment in midst of near-term challenges.
- We expect residential business to pick momentum in 2HFY21, largely driven by new launches and festive demand. Maintain **Buy** with a PT of INR480.

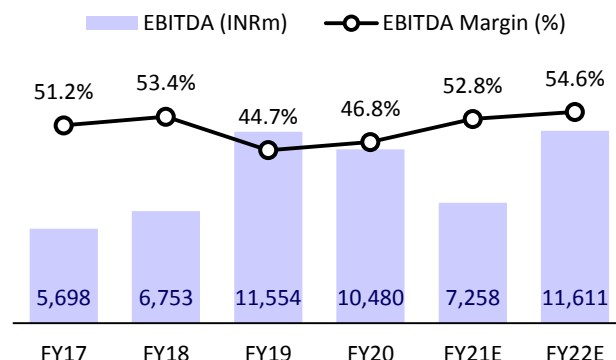
Story in charts

Exhibit 6: Expect revenue to decline 3% annually over FY20-22E



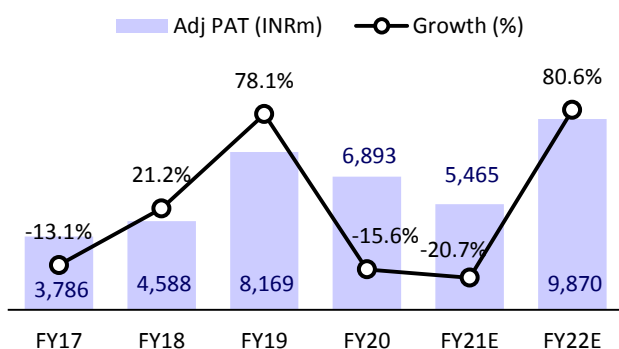
Source: MOFSL, Company

Exhibit 7: EBITDA margin trend



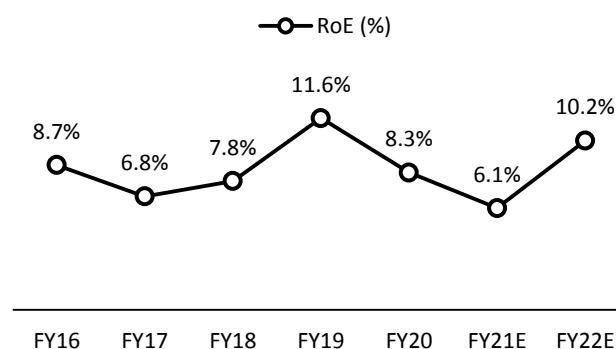
Source: MOFSL, Company

Exhibit 8: Expect adj. PAT to grow 20% annually over FY20-22E



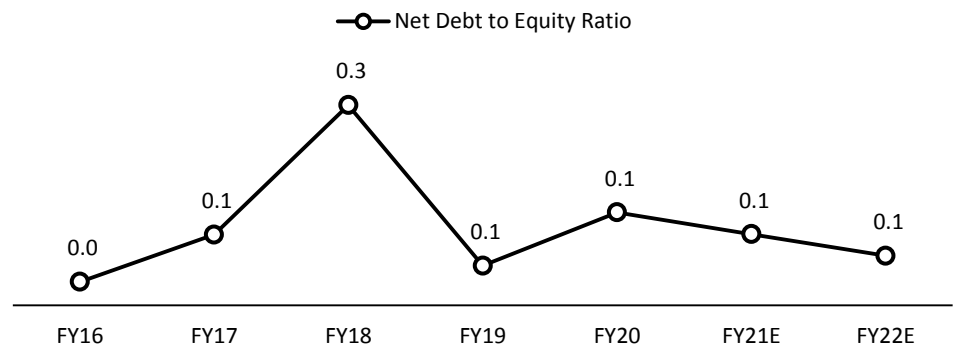
Source: MOFSL, Company

Exhibit 9: RoE trend



Source: MOFSL, Company

Exhibit 10: Low net debt to equity ratio



Source: MOSL, Company

Financials and Valuations

Consolidated - Income Statement

(INR M)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Total Income from Operations	14,162	11,138	12,654	25,825	22,376	13,746	21,265
Change (%)	53.5	-21.4	13.6	104.1	-13.4	-38.6	54.7
Total Expenditure	7,398	5,440	5,902	14,271	11,897	6,488	9,654
% of Sales	52.2	48.8	46.6	55.3	53.2	47.2	45.4
EBITDA	6,763	5,698	6,753	11,554	10,480	7,258	11,611
Margin (%)	47.8	51.2	53.4	44.7	46.8	52.8	54.6
Depreciation	490	495	491	440	449	487	723
EBIT	6,273	5,203	6,262	11,113	10,031	6,771	10,888
Int. and Finance Charges	68	56	69	194	885	760	809
Other Income	428	508	302	856	484	399	617
PBT bef. EO Exp.	6,632	5,655	6,495	11,776	9,630	6,410	10,696
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	6,632	5,655	6,495	11,776	9,630	6,410	10,696
Total Tax	2,293	1,869	1,907	3,607	2,796	1,647	2,749
Tax Rate (%)	34.6	33.0	29.4	30.6	29.0	25.7	25.7
Minority Interest/Profit from JV	-16	0	0	0	-59	-702	-1,923
Reported PAT	4,356	3,786	4,588	8,169	6,893	5,465	9,870
Adjusted PAT	4,356	3,786	4,588	8,169	6,893	5,465	9,870
Change (%)	37.4	-13.1	21.2	78.1	-15.6	-20.7	80.6
Margin (%)	30.8	34.0	36.3	31.6	30.8	39.8	46.4

Consolidated - Balance Sheet

(INR M)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	3,393	3,395	3,396	3,636	3,636	3,636	3,636
Total Reserves	50,018	53,864	57,528	76,656	82,659	88,123	97,993
Net Worth	53,411	57,260	60,924	80,292	86,295	91,759	1,01,629
Minority Interest	0	0	0	0	0	0	0
Total Loans	4,734	8,687	16,941	8,361	11,439	11,939	12,939
Deferred Tax Liabilities	-1,030	-997	-1,087	260	284	284	284
Capital Employed	57,116	64,949	76,777	88,912	98,018	1,03,983	1,14,852
Gross Block	2,712	10,432	11,234	12,526	12,824	15,824	20,324
Less: Accum. Deprn.	246	983	1,470	1,910	2,359	2,846	3,569
Net Fixed Assets	2,466	9,450	9,763	10,616	10,465	12,978	16,755
Goodwill on Consolidation	0	0	0	0	0	0	0
Capital WIP	488	1,095	1,126	1,261	3,055	6,252	11,365
Total Investments	21,815	18,243	24,200	29,378	24,062	18,062	18,062
Curr. Assets, Loans&Adv.	49,040	54,809	65,700	69,983	74,632	75,351	85,357
Inventory	33,393	37,664	42,467	41,655	53,173	52,837	58,025
Account Receivables	1,122	1,058	1,812	1,094	1,153	1,130	1,748
Cash and Bank Balance	3,119	3,458	1,167	4,253	1,083	3,515	6,445
Loans and Advances	11,406	12,630	20,253	22,981	19,223	17,870	19,138
Curr. Liability & Prov.	16,692	18,648	24,012	22,325	14,196	8,661	16,687
Account Payables	425	541	1,448	2,323	859	468	697
Other Current Liabilities	16,224	18,017	22,505	19,974	13,294	8,166	15,949
Provisions	43	90	59	28	43	27	41
Net Current Assets	32,348	36,161	41,687	47,658	60,436	66,690	68,670
Appl. of Funds	57,117	64,949	76,777	88,912	98,018	1,03,983	1,14,853

Financials and Valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Basic (INR)							
EPS	12.0	10.4	12.6	22.5	19.0	15.0	27.1
Cash EPS	13.3	11.8	14.0	23.7	20.2	16.4	29.1
BV/Share	146.9	157.5	167.6	220.8	237.3	252.4	279.5
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)							
P/E	26.0	29.9	24.6	13.8	16.4	20.7	11.5
Cash P/E	23.3	26.4	22.3	13.1	15.4	19.0	10.7
P/BV	2.1	2.0	1.9	1.4	1.3	1.2	1.1
EV/Sales	8.1	10.6	10.2	4.5	5.5	8.8	5.6
EV/EBITDA	17.0	20.8	19.1	10.1	11.8	16.7	10.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	11.4	2.7	-7.7	-0.7	-14.0	-10.2	5.8
Return Ratios (%)							
RoE	8.7	6.8	7.8	11.6	8.3	6.1	10.2
RoCE	7.7	6.2	6.4	10.0	8.0	5.3	7.8
RoIC	9.8	9.4	9.6	14.8	11.5	6.9	10.4
Working Capital Ratios							
Fixed Asset Turnover (x)	5.2	1.1	1.1	2.1	1.7	0.9	1.0
Asset Turnover (x)	0.2	0.2	0.2	0.3	0.2	0.1	0.2
Leverage Ratio (x)							
Net Debt/Equity	0.0	0.1	0.3	0.1	0.1	0.1	0.1

Consolidated - Cash Flow Statement

(INR M)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
OP/(Loss) before Tax	6,632	5,623	6,495	11,776	9,689	6,410	10,696
Depreciation	490	495	491	440	449	487	723
Interest & Finance Charges	332	-319	-129	-251	885	361	192
Direct Taxes Paid	-2,115	-1,825	-2,108	-3,243	-2,221	-1,647	-2,749
(Inc)/Dec in WC	-659	-2,180	-6,754	-6,997	-11,205	-3,822	950
CF from Operations	4,680	1,794	-2,005	1,725	-2,404	1,788	9,812
Others	-149	-56	-17	-269	-416	702	1,923
CF from Operating incl EO	4,531	1,738	-2,022	1,456	-2,820	2,490	11,735
(Inc)/Dec in FA	-398	-763	-773	-1,707	-2,261	-6,198	-9,613
Free Cash Flow	4,133	976	-2,795	-251	-5,081	-3,707	2,122
(Pur)/Sale of Investments	140	82	0	0	5,863	6,000	0
Others	-2,048	-4,071	-6,006	-5,053	-857	399	617
CF from Investments	-2,307	-4,752	-6,779	-6,760	2,745	201	-8,996
Issue of Shares	3,258	60	17	11,827	0	0	0
Inc/(Dec) in Debt	-3,010	3,820	8,306	-1,103	-508	500	1,000
Interest Paid	-683	-527	-996	-1,516	-1,711	-760	-809
Dividend Paid	-1,607	0	-818	-819	-877	0	0
Others	0	0	0	0	0	0	0
CF from Fin. Activity	-2,042	3,353	6,510	8,389	-3,095	-260	191
Inc/Dec of Cash	182	339	-2,291	3,085	-3,169	2,431	2,930
Opening Balance	2,937	3,119	3,458	1,167	4,253	1,083	3,515
Closing Balance	3,119	3,458	1,167	4,253	1,083	3,515	6,445

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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