


Estimate change 

TP change 

Rating change 

Bloomberg	OBER IN
Equity Shares (m)	364
M.Cap.(INRb)/(USD\$b)	307.2 / 3.7
52-Week Range (INR)	1088 / 726
1, 6, 12 Rel. Per (%)	-1/-8/-12
12M Avg Val (INR M)	682

Financials & Valuations (INR b)

Y/E Mar	FY23E	FY24E	FY25E
Sales	40.5	40.9	50.5
EBITDA	21.1	18.6	25.5
EBITDA (%)	52.0	45.5	50.6
PAT	17.8	14.9	19.9
EPS (INR)	48.9	40.9	54.8
EPS Gr. (%)	69.8	-16.4	34.0
BV/Sh. (INR)	333	372	425

Ratios

Net D/E	0.2	0.1	0.1
RoE (%)	15.4	11.4	13.5
RoCE (%)	11.0	8.6	11.0
Payout (%)	4.2	5.0	3.7

Valuations

P/E (x)	17.3	20.7	15.4
P/BV (x)	2.5	2.3	2.0
EV/EBITDA (x)	15.7	17.2	12.3
Div Yield (%)	0.2	0.2	0.2

Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	67.7	67.7	67.7
DII	12.5	11.8	8.7
FII	17.3	18.0	20.5
Others	2.5	2.5	3.1

CMP: INR845

TP: INR1,100 (+30%)

Buy

Strong P&L performance offsets subdued operational numbers

Weak sales at Elysian and 360-West led to a decline in pre-sales

- Oberoi Realty's (OBER) sales bookings declined by 68% YoY and 45% QoQ to INR6.3b (37% below estimate), affected by booking of only one unit at Elysian, Goregaon (v/s 141 in 3QFY22, the launch quarter), and nil booking at 360-West (v/s eight in 2QFY23).
- That said, OBER launched tower G at Sky-City, Borivali, and received a strong response with bookings of 108 units (131 units total for the project), which contributed 73% to total pre-sales. Sales at Eterna and Enigma, Mulund, remained steady, with bookings of 31 and 17 units, respectively.
- In terms of volume, pre-sales were down 65% YoY and 3% QoQ at 0.36msf. Blended realization dropped 44% QoQ to ~INR17,500/sqft due to mix.
- Collections declined by 56% YoY/51% QoQ to INR4.3b. Operating cash flows were negative for the second consecutive quarter due to the payment of advance taxes of INR1b and INR1.6 for TDR purchase for the Borivali project. Additionally, the company also incurred IN4b in capex, leading to a QoQ increase in net debt by INR5b to INR25b (D/E of 0.21x).

P&L performance boosted by part OC at Mulund projects

- Revenue doubled YoY to INR16b (85% above estimate) as OBER received part OC at Eterna and Enigma (contributed 50% to overall revenue) and as Tower B at Elysian, Goregaon, reached a 25% revenue recognition threshold.
- EBITDA jumped three-fold to INR9.4b as margins increased by 18pp to 58%. However, the increase in PAT was constrained at 50% to INR7b due to a lower share of JV profit (360-West profit recognition post OC in 3QFY22).

Commercial performance steady; hospitality ARR at record level

- Occupancy at Commerz I/II and Oberoi Mall remained stagnant at 57%/80% and 95%, respectively. Rental income from office assets remained flat at INR364m, while it grew at Oberoi Mall by 7% QoQ to INR373m. EBITDA margins were flat at 94%, leading to EBITDA of INR0.7b, up 4% QoQ.
- The Hospitality segment maintained its robust performance as The Westin Mumbai reported its highest-ever ARR of over INR12,000, 22% higher than 3QFY20, at an occupancy of 80% (v/s 83% in 2Q). Revenue increased by 68% YoY/23% QoQ to INR0.4b. EBITDA stood at INR158m and margin came in at 38% (v/s 24%/33% in 3QFY22/2QFY23).

Key management commentary

- **360-West:** OBER has completed the settlement with its JV partner and now holds entire inventory available for sale. The partner is left with very little inventory in the project as some units are held for personal use given that the partner's debt obligation is now met. The sales pipeline remains strong beyond the transaction reported in the media.

- **New Launches:** The company is on track to launch the Kolshet road (Thane) project in 4Q and the Pokhran road (Thane) project by 1QFY24. The new tower at Goregaon is scheduled for launch during the festive season of FY24.
- **Business development:** The new land acquired at Thane will have residential /commercial potential of 2.2msf/1.5msf. The surplus cash generated from existing projects will be redeployed into the business. Management remains focused on BD with preference for large parcels, which is in line with its historical strategy.

Valuation and View

- On the back of part OC received by Mulund projects, we have assumed accelerated revenue recognition from the projects. Consequently, our FY23E revenue/EBITDA estimate is increased by 10%/18% and we reduce the same by 5%/6% in FY24E. .
- Management has indicated a strong visibility on business development, which will provide further growth visibility and will be a key re-rating trigger. **We reiterate BUY with an unchanged SoTP-based TP of INR1,100.**

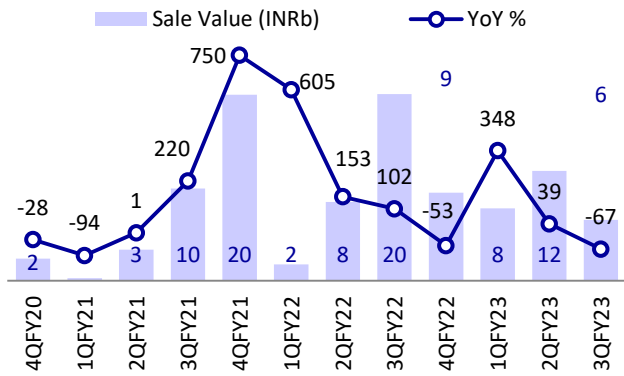
Financial and Operational Summary

Y/E March	FY22				FY23E				FY22	FY23E	FY23E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	2,843	7,543	8,320	8,235	9,131	6,886	16,295	8,191	26,940	40,503	8,806	85%
YoY Change (%)	140.8	138.6	0.4	4.2	221.2	-8.7	95.8	-0.5	-33.5	50.3	5.8	
Total Expenditure	1,594	3,811	5,005	4,717	4,209	3,782	6,891	4,546	15,126	19,427	4,676	
EBITDA	1,249	3,731	3,316	3,518	4,922	3,104	9,404	3,646	11,813	21,076	4,130	128%
Margins (%)	43.9	49.5	39.8	42.7	53.9	45.1	57.7	44.5	43.9	52.0	46.9	1081bp
Depreciation	101	101	99	97	98	101	102	99	398	399	100	
Interest	173	171	200	316	326	363	381	370	860	1,440	357	
Other Income	105	143	142	195	217	232	220	100	585	770	174	
PBT before EO expense	1,080	3,602	3,159	3,300	4,715	2,873	9,141	3,277	11,140	20,007	3,847	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	1,080	3,602	3,159	3,300	4,715	2,873	9,141	3,277	11,140	20,007	3,847	
Tax	290	954	837	984	1,137	692	2,260	1,012	3,065	5,102	1,059	
Rate (%)	26.9	26.5	26.5	29.8	24.1	24.1	24.7	31	27.5	25.5	27.5	
Minority Interest & Profit/Loss of Asso. Cos.	17	18	2,353	8	453	1,006	144	1,273	2,396	2,876	719	
Reported PAT	806	2,666	4,675	2,324	4,031	3,186	7,026	3,538	10,471	17,781	3,508	
Adj PAT	806	2,666	4,675	2,324	4,031	3,186	7,026	3,538	10,471	17,781	3,508	100%
YoY Change (%)	187.2	93.5	62.9	-19.0	400.0	19.5	50.3	35.0	-9.9	66.0	-25.0	
Margins (%)	28.4	35.3	56.2	28.2	44.1	46.3	43.1	38.3	38.9	42.9	39.8	
Operational metrics												
Residential												
Sale Volume (msf)	0.09	0.45	1.04	0.52	0.40	0.37	0.36	0.45	2.1	1.6	0.5	-22%
Sale Value (INRm)	1,700	8,287	19,651	9,250	7,611	11,557	6,307	14,963	38,888	40,437	10,000	-37%
Collections (INRm)	4,990	5,346	9,815	9,513	5,574	8,780	4,277	10,800	29,664	29,430	9,000	-52%
Realization (INR/sft)	18,449	18,558	18,884	17,643	18,972	31,234	17,557	33,085	18,486	25,550	21,716	-19%
Leasing												
Occupancy (%)	87.5	88.1	88.7	80.5	80.7	81.1	80.8	87.8	86.2	82.6	87.8	-8%
Rental income (excl. CAM)	424	430	643	1,148	726	711	737	971	2,645	3,145	868	-16%
EBITDA (excl. CAM)	388	388	608	1,083	671	667	691	959	2,466	2,988	864	-22%
Hospitality												
Occupancy (%)	38.7	83.7	72.2	74.8	91.3	82.7	80.0	86.7	51	85		
ARR (INR)	4,685	4,378	6,918	7,166	9,116	9,546	12,344	10,974	5,787	9,259		
Revenue	78	164	250	228	348	341	419	432	720	1,419	256.6	
EBITDA	-27	27	60	56	136	111	158	151	116	511	67.2	

Source: Company, MOFSL

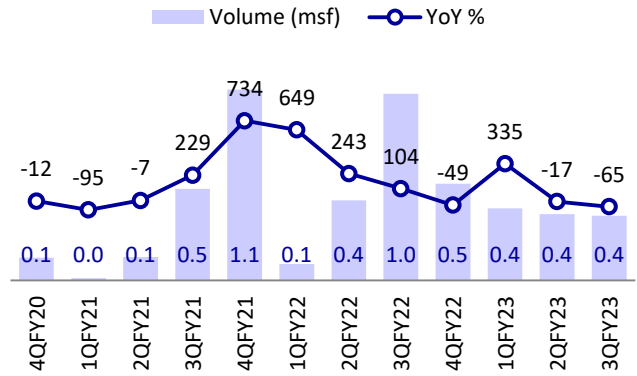
Key exhibits

Exhibit 1: Pre-sales declined 67% YoY to INR6b driven by softness at Elysian and 360 West



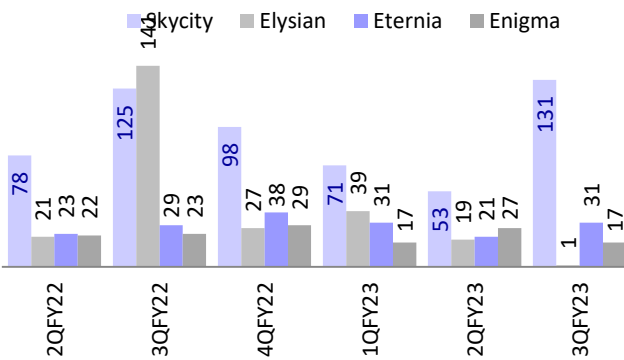
Source: Company, MOFSL

Exhibit 2: Volume declined 65% YoY



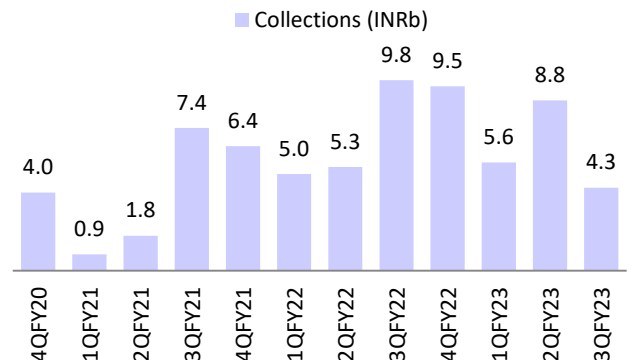
Source: Company, MOFSL

Exhibit 3: Skycity generated 70%+ sales driven by new tower launch



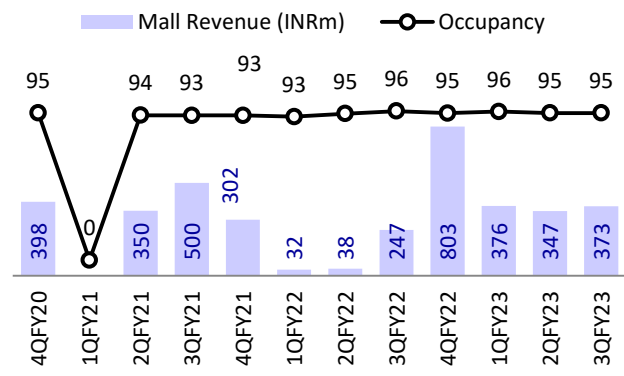
Source: MOFSL, Company

Exhibit 4: Collections reached INR4.3b



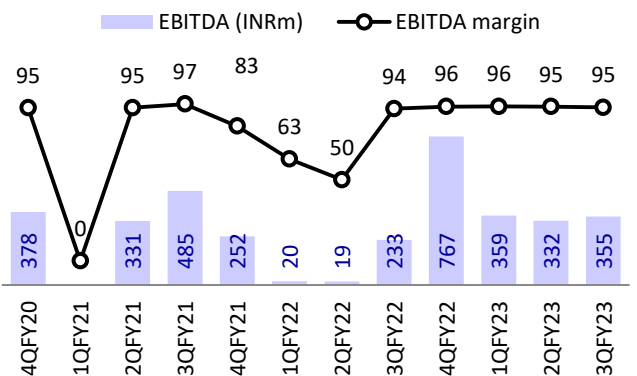
Source: MOFSL, Company

Exhibit 5: Mall revenue in 3QFY23 was INR373m



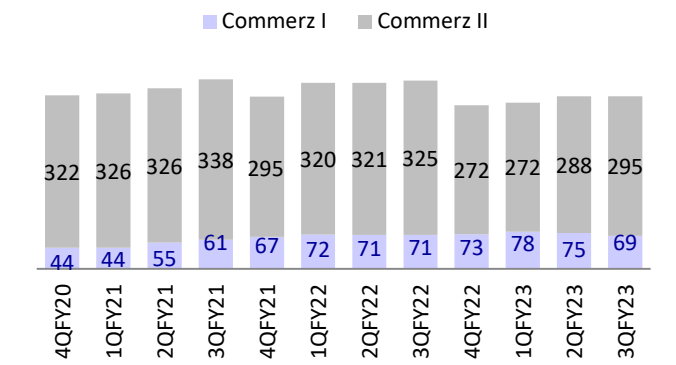
Source: Company, MOFSL

Exhibit 6: EBITDA stood at INR355m, with margins sustaining at 95%+



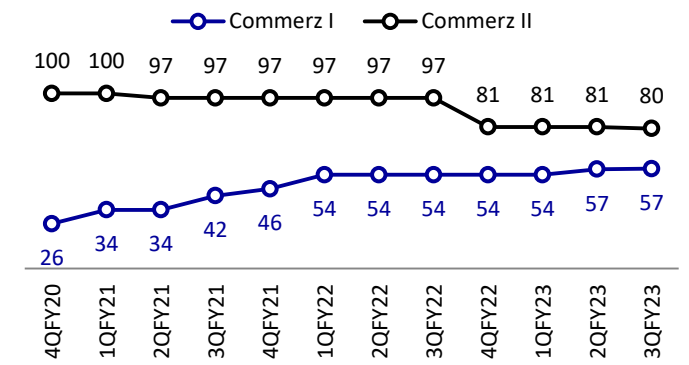
Source: Company, MOFSL

Exhibit 7: Revenue from office assets declined 8% YoY....



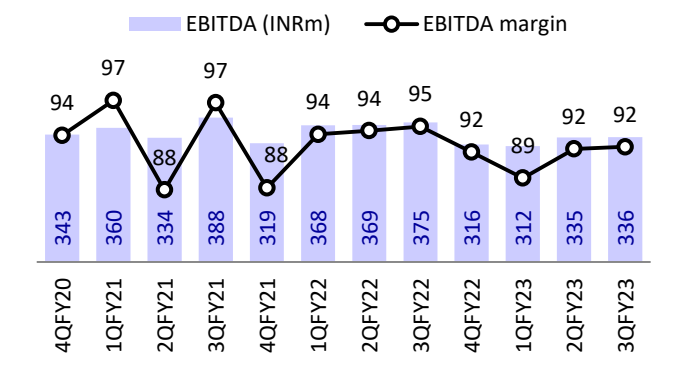
Source: MOFSL, Company

Exhibit 8: ...while occupancy remained steady



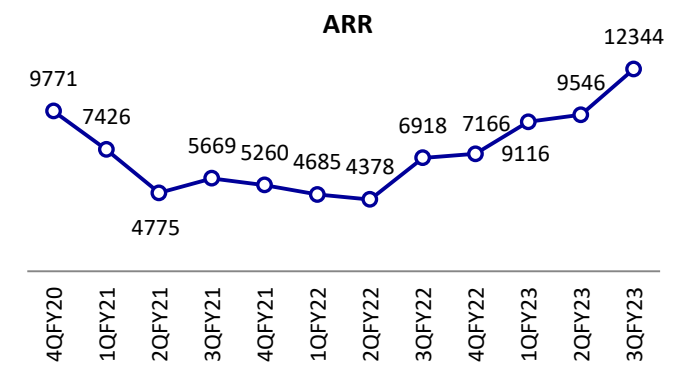
Source: MOFSL, Company

Exhibit 9: EBITDA at INR336m, with stable margin of 92%



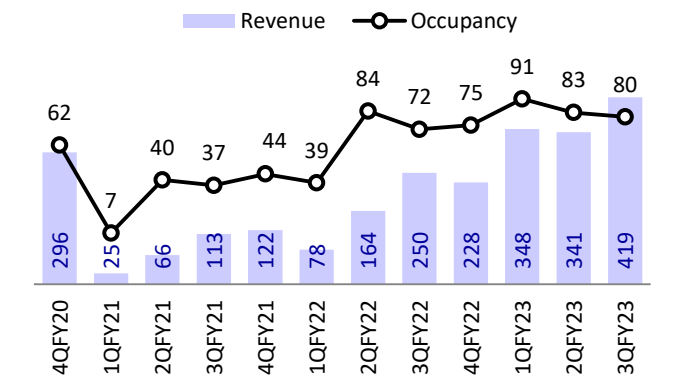
Source: MOFSL, Company

Exhibit 10: Hotel segment witnessed highest ever ARR



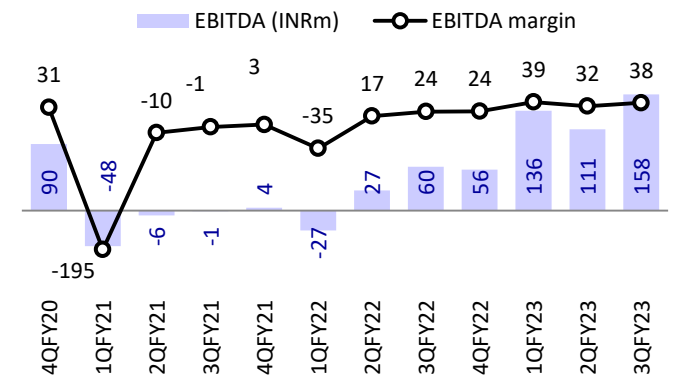
Source: MOFSL, Company

Exhibit 11: Hospitality continued to deliver healthy performance with occupancies breaching pre-Covid levels



Source: MOFSL, Company

Exhibit 12: Expect EBITDA to improve further driven by higher ARR v/s pre-Covid



Source: MOFSL, Company

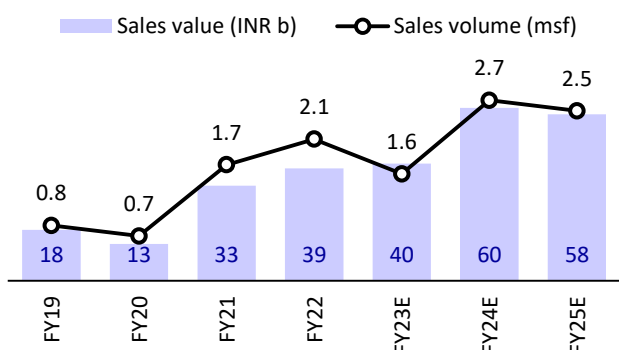
Story in charts

Exhibit 13: OBER has a pipeline of 19msf across four projects

Project	Pending area to be launched	Comment
Sky City	1.0	❖ The company expects to launch the next phase at Sky-City in the next 12 months.
Worli	0.0	❖ Company is still contemplating between residential and commercial project at this site. Being adjacent to 360-west, launch will only happen post FY23.
Elysian	3.4	❖ After a successful launch, the company is planning to launch another phase in FY23.
Pokhran Rd - Thane	12.0	❖ The company is looking to launch first phase of Thane project in 1QFY24.
Kolshet Rd - Thane	2.5	❖ This project is scheduled for launch in 4QFY23.
Total	19	

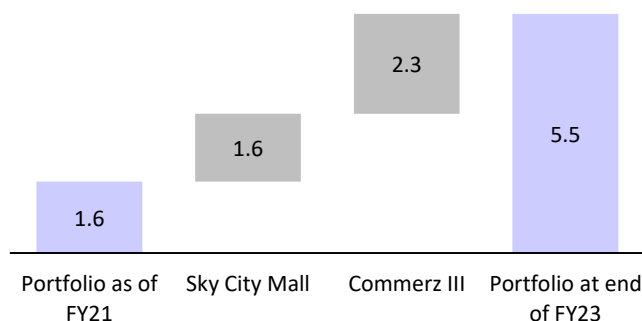
Source: MOFSL, Company

Exhibit 14: OBER to deliver strong growth in sales bookings over FY23–25E



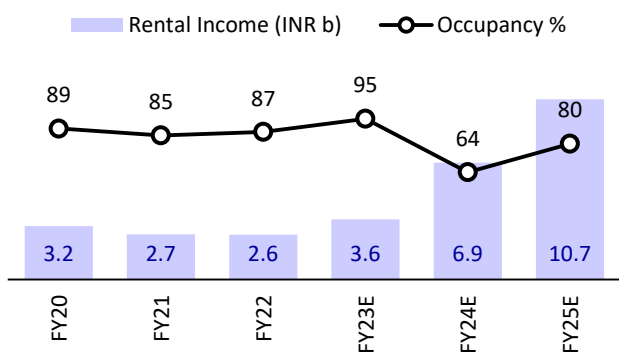
Source: Company, MOFSL

Exhibit 15: Commercial portfolio to treble to 5.5msf by end-FY23E (msf)



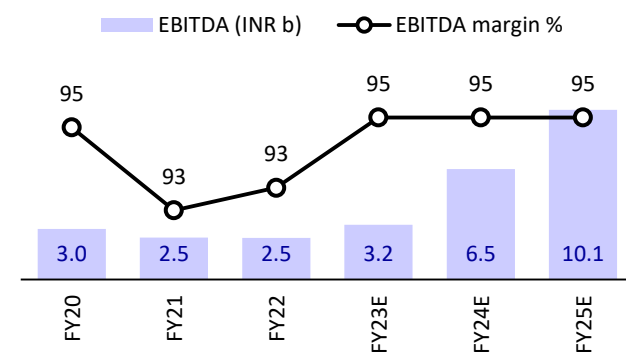
Source: Company, MOFSL

Exhibit 16: Expect 59% CAGR in Rental income over FY22–25



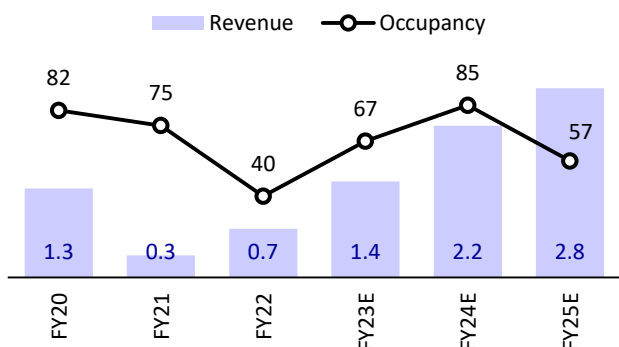
Source: MOFSL, Company

Exhibit 17: EBITDA margin to recover to 95%+



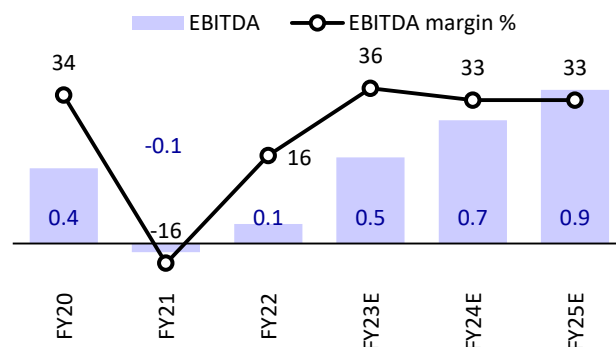
Source: MOFSL, Company

Exhibit 18: Recovery in occupancies and revenue from Worli hotel to boost Hospitality sales to INR2.3b by FY25E



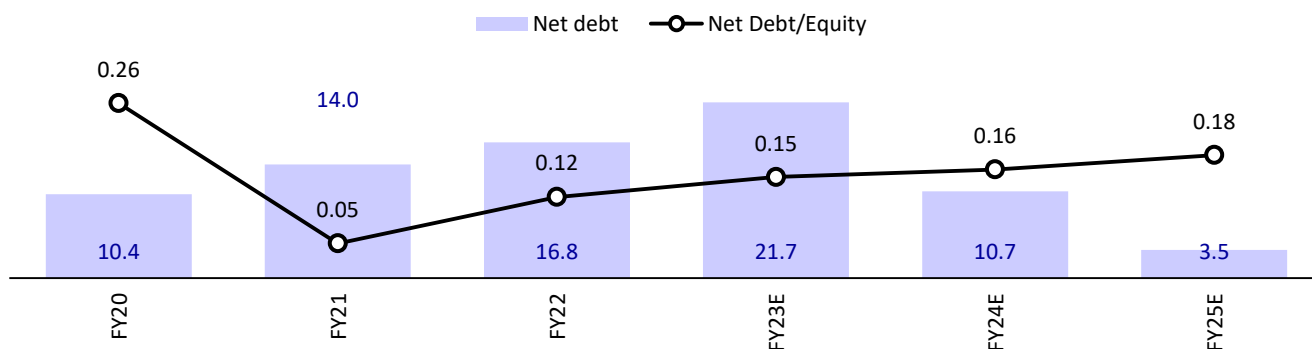
Source: Company, MOFSL

Exhibit 19: Expect blended EBITDA margin to reach 33% by FY24 and improve thereafter as Ritz Carlton stabilizes



Source: Company, MOFSL

Exhibit 20: Annual post-tax cash flow run-rate of INR15-30b over next 3-4 years to enable OBER to further strengthen financial strength and focus on business development



Source: MOFSL, Company

Exhibit 21: Based on our SoTP approach, we arrive at NAV of INR400b, or INR1,100 per share, indicating upside potential of 30%

NAV calculation	Rationale	INR b	Per share (INR)	(%)
Residential	❖ DCF of five years' cash flow at WACC of 12.2% and terminal value assuming 5% long-term growth	287	789	72%
Leasing – Offices and Malls	❖ Cap rate of 8.5% for operational assets and DCF for ongoing and planned assets	117	323	29%
Hospitality	❖ FY24E EBITDA at 17.5x EV/EBITDA	16	45	4%
Gross Asset Value	❖	421	1157	105%
Less: Net Debt	❖ FY23E estimate	-21	-57	-5%
Net Asset Value		400	1100	100%
CMP			845	
Up/down (%)			30	

Source: MOFSL, Company



Highlights from management commentary

360-West

- Sales slowed as the company increased prices at Elysian, but secondary sales continued to happen at significantly higher prices (25-30% higher prices at Esquire & Exquisite). Footfalls are now back and management expects the sales traction to resume.
- Given that the Worli settlement is now behind, management is now focusing on I-ven asset and the details about the type of development will be shared soon.

New annuity assets

- OBER is witnessing huge leasing traction at Borivali Mall and it can be fully leased out in 2-3 months and rents are significantly higher than anticipated. Commerz 3 office assets will have rentals of ~INR230/sft.

Net debt

- Net debt increased by INR5b, driven by payments toward premiums and land. It could trail back to the Dec'22 level, driven by sales at 360-West and enhanced collections at Mulund projects, which have received part OC.

Valuation and view

We value OBER on a DCF-based approach:

- Its Residential business is valued using DCF of expected cash flows over five years with a WACC of 12.2% and terminal value using a perpetual growth rate of 5%
- Its operational commercial assets are valued at an 8.5% cap rate on FY24E EBITDA and ongoing projects using DCF
- Hospitality is valued at 17.5x FY24E EV/EBITDA (comparable to IHCL)

Based on the above approach, we arrive at a GAV of INR421b. Netting off estimated net debt of INR21b for FY23, we derive an NAV of INR400b, or INR1100/share, indicating an upside potential of 30%.

Exhibit 22: Changes in our estimates

(INR m)	Old		New			Change		
	FY23E	FY24E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	36,674	42,846	40,503	40,885	50,491	10%	-5%	NA
EBITDA	17,809	19,733	21,076	18,614	25,546	18%	-6%	NA
Adj. PAT	14,967	15,386	17,781	14,870	19,929	19%	-3%	NA
Pre-sales	45,220	59,710	40,437	59,710	57,562	-11%	0%	NA
Collections	41,378	48,899	38,009	49,286	54,460	-8%	1%	NA

Source: MOFSL, Company

Financials and valuations

Consolidated Income Statement							(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Income from Operations	25,825	22,376	20,526	26,940	40,503	40,885	50,491
Change (%)	104.1	-13.4	-8.3	31.2	50.3	0.9	23.5
Total Expenditure	14,271	11,897	10,522	15,126	19,427	22,272	24,945
As a percentage of Sales	55.3	53.2	51.3	56.1	48.0	54.5	49.4
EBITDA	11,554	10,480	10,004	11,813	21,076	18,614	25,546
Margin (%)	44.7	46.8	48.7	43.9	52.0	45.5	50.6
Depreciation	440	449	412	398	399	1,129	1,859
EBIT	11,113	10,031	9,592	11,416	20,677	17,485	23,687
Int. and Finance Charges	194	885	760	860	1,440	1,328	953
Other Income	856	484	380	585	770	777	959
PBT bef. EO Exp.	11,776	9,630	9,212	11,140	20,007	16,934	23,693
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	11,776	9,630	9,212	11,140	20,007	16,934	23,693
Total Tax	3,607	2,796	1,851	3,065	5,102	4,318	6,042
Tax Rate (%)	30.6	29.0	20.1	27.5	25.5	25.5	25.5
Minority Interest/Profit from JV	0	59	32	2,396	2,876	2,254	2,277
Reported PAT	8,169	6,893	7,393	10,471	17,781	14,870	19,929
Adjusted PAT	8,169	6,893	7,393	10,471	17,781	14,870	19,929
Change (%)	78.1	-15.6	7.2	41.6	69.8	-16.4	34.0
Margin (%)	31.6	30.8	36.0	38.9	43.9	36.4	39.5

Consolidated Balance Sheet							(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	3,636	3,636	3,636	3,636	3,636	3,636	3,636
Total Reserves	76,656	82,659	90,055	1,00,525	1,17,177	1,30,979	1,49,704
Net Worth	80,292	86,295	93,691	1,04,161	1,20,813	1,34,615	1,53,340
Minority Interest	0	0	0	0	0	0	0
Total Loans	8,361	11,439	15,338	28,555	29,055	24,055	14,055
Deferred Tax Liabilities	260	284	348	247	247	247	247
Capital Employed	88,912	98,018	1,09,378	1,32,964	1,50,115	1,58,917	1,67,642
Gross Block	12,526	12,824	12,907	12,965	12,965	60,465	60,465
Less: Accum. Deprn.	1,910	2,359	2,771	3,169	3,568	4,697	6,556
Net Fixed Assets	10,616	10,465	10,136	9,796	9,398	55,769	53,909
Goodwill on Consolidation	0	0	0	0	0	0	0
Capital WIP	1,261	3,055	19,799	32,975	44,481	1,872	3,442
Total Investments	29,378	24,062	16,196	26,794	24,670	26,925	29,202
Curr. Assets, Loans, and Adv.	69,983	74,632	74,405	87,340	92,795	95,555	99,020
Inventory	41,655	53,173	46,626	50,361	54,021	53,830	53,448
Account Receivables	1,094	1,153	1,280	1,246	1,110	1,120	1,383
Cash and Bank Balance	4,253	1,083	1,331	2,932	5,262	9,941	6,319
Loans and Advances	22,981	19,223	25,168	32,802	32,402	30,664	37,869
Curr. Liability and Prov.	22,325	14,196	11,158	23,942	21,229	21,203	17,931
Account Payables	2,323	859	938	4,247	1,331	1,525	1,709
Other Current Liabilities	19,974	13,294	10,194	19,108	19,846	19,625	16,157
Provisions	28	43	26	587	52	52	65
Net Current Assets	47,658	60,436	63,247	63,398	71,566	74,352	81,089
Appl. of Funds	88,912	98,018	1,09,378	1,32,964	1,50,116	1,58,918	1,67,642

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)							
EPS	22.5	19.0	20.3	28.8	47.8	40.0	53.5
Cash EPS	23.7	20.2	21.5	29.9	48.9	43.1	58.6
BV/Share	220.8	237.3	257.7	286.5	332.3	370.2	421.7
DPS	2.3	2.3	0.0	3.0	2.0	2.0	2.0
Payout (%)	10.0	14.3	0.0	10.4	4.2	5.0	3.7
Valuation (x)							
P/E	42.6	50.5	47.1	33.3	17.7	21.1	15.8
Cash P/E	40.5	47.4	44.6	32.0	17.3	19.6	14.4
P/BV	4.3	4.0	3.7	3.3	2.5	2.3	2.0
EV/Sales	13.6	16.0	17.7	13.9	8.2	7.9	6.2
EV/EBITDA	30.5	34.2	36.2	31.7	15.7	17.3	12.3
Dividend Yield (%)	0.2	0.2	0.0	0.3	0.2	0.2	0.2
FCF per share	-0.7	-14.0	-17.1	-7.0	-1.3	33.4	23.8
Return Ratios (%)							
RoE	11.6	8.3	8.2	10.6	15.4	11.4	13.5
RoCE	10.0	8.0	7.7	7.2	11.0	8.6	11.0
RoIC	14.8	11.5	10.8	11.6	20.5	12.9	13.8
Working Capital Ratios							
Fixed Asset Turnover (x)	2.1	1.7	1.6	2.1	3.1	0.7	0.8
Asset Turnover (x)	0.3	0.2	0.2	0.2	0.3	0.3	0.3
Leverage Ratio (x)							
Net Debt/Equity	0.1	0.1	0.1	0.2	0.2	0.1	0.1

Consolidated Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
(INR m)							
OP/(Loss) before Tax	11,776	9,689	9,244	13,536	22,883	19,188	25,970
Depreciation	440	449	412	398	399	1,129	1,859
Interest and Finance Charges	-251	885	760	860	1,440	1,328	953
Direct Taxes Paid	-3,243	-2,221	-2,031	-2,911	-5,504	-4,659	-6,519
(Inc.)/Dec. in WC	-6,997	-11,205	-998	1,765	-5,838	1,893	-10,359
CF from Operations	1,725	-2,404	7,387	13,648	13,380	18,879	11,905
Others	-269	-416	-362	-2,961	-3,646	-3,031	-3,236
CF from Operations incl. EO	1,456	-2,820	7,025	10,687	9,734	15,848	8,669
(Inc.)/Dec. in FA	-1,707	-2,261	-13,241	-13,241	-10,209	-3,696	0
Free Cash Flow	-251	-5,081	-6,216	-2,554	-475	12,152	8,669
(Pur.)/Sale of Investments	0	5,863	39	171	5,000	0	0
Others	-5,053	-857	6,687	-829	770	777	959
CF from Investments	-6,760	2,745	-6,515	-13,900	-4,440	-2,919	959
Issue of Shares	11,827	0	0	0	0	0	0
Inc./(Dec.) in Debt	-1,103	-508	317	13,250	500	-5,000	-10,000
Interest Paid	-1,516	-1,711	-1,480	-1,628	-2,736	-2,523	-2,523
Dividend Paid	-819	-877	0	0	-727	-727	-727
Others	0	0	-1	-199	0	0	0
CF from Fin. Activity	8,389	-3,095	-1,164	11,422	-2,964	-8,250	-13,250
Inc./Dec. in Cash	3,085	-3,169	-654	8,210	2,331	4,679	-3,622
Opening Balance	1,167	4,253	1,985	1,331	2,932	5,262	9,941
Closing Balance	4,253	1,083	1,331	9,541	5,262	9,941	6,319

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

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