

February 09, 2023

RESULT REPORT Q3 FY23 | Sector: Real Estate

Oberoi Realty

Thane launch on cards; NCR entry confirmed

Our view

Oberoi Realty (OBER) achieved presales of 0.36msf translating to sales value of Rs6.3bn wherein Sky City contributed 72% to the total sales while remaining was contributed by Eternia & Enigma and company collected 4.3bn in Q3FY23. Oberoi Mall achieved 95% operating margin over the revenue of Rs373mn. Office assets clocked revenue of Rs364mn flat q/q and declined by 8.3% y/y with an EBITDA margin of 92.4%. The Westin posted strong revenue of Rs419mn with the EBITDA margin of 38% (551bps q/q) with ARR of Rs12,344/night (29.3% q/q) and RevPAR of Rs9,961 (26.2% q/q). OBER is geared up to launch Kolshet, Thane in mid of Mar'23 and Pokhran in Q1FY24E.

In Q3FY23, OBER confirmed the entry in Gurgaon market and also acquired ~8acres land parcel from Blue Star, adjacent to the Pokhran 2 project. Additionally, Eternia & Enigma received part OC so sales velocity is expected to pick up in coming quarters. Borivali Mall's superstructure is completed and should be operationalized by Sept-Oct'23E with optimal occupancy. As all the residential projects are cash flow positive and gearing of 0.21x, management is focusing on business development to strengthen the pipeline. We believe with sustenance of strong demand for larger houses, new launches to do well for OBER on the back of quality product & delivery track record. Land acquisition in the NCR market, reduces the OBER's dependency on MMR. We continue to give a 20% premium to the current portfolio for being leader in the premium residential segment & arrived at SoTP based NAV of Rs1229/share and recommend 'BUY' rating with 45% upside.

Result Highlights:

- OBER reported Revenues/EBITDA/Adj.PAT of Rs16295mn/Rs9404mn/Rs7003mn. Operating margin up by 1263bps q/q & 1786bps y/y to 57.7% guided by the higher revenue recognition from Elysian, Eternia & Enigma.
- OBER achieved pre-sales of 0.36msf translating to Rs6307mn (-45% q/q & -68% y/y) guided by superlative sales in new Tower-G in Sky City (69% contribution). And collected Rs4277mn (51.3% q/q & 56.4% y/y).
- Post receipt of part OC in Eternia & Enigma, Eternia has witnessed the increase of sales velocity with 31units booking while Enigma still to catch-up. In Q3FY23, Mulund projects contributed 28% to the total pre-sales.
- In Q3FY23, Oberoi Mall reported revenue/EBITDA of Rs373/Rs355 up 7.5%/6.9% q/q with a margin of 95% and occupancy of 97%. Rental rate per/sft/mnth was up by 7.1% q/q to Rs233.
- The Westin recorded strong uptick in ARR and RevPAR to Rs12,344 (29.3% q/q & 78.4% y/y)/ Rs9,961 (26.2% q/q & 99.2% y/y) resulted in revenue of Rs419mn (23.1% q/q & 68% y/y) with operating margin of 38% (551bps q/q & 1410bps y/y).

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	16,295	22,243	9,132	(26.7)	78.4	Margin jump due higher recognition of Elysian, Enigma & Eternia
EBITDA	9,404	11,394	4,678	(17.5)	101.0	
EBITDA Margin (%)	57.7	51.2	51.2	648 bps	648 bps	
Adjusted PAT	7,003	6,995	3,253	0.1	115.3	

Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 845
Target Price	: Rs 1229
Potential Return	: +45%

Stock data (as on Feb 9, 2023)

Nifty	17,893
52 Week h/l (Rs)	1089 / 726
Market cap (Rs/USD mn)	305062 / 3697
Outstanding Shares (mn)	364
6m Avg t/o (Rs mn):	617
Div yield (%):	0.4
Bloomberg code:	OBER IN
NSE code:	OBEROIRLT

Stock performance



	1M	3M	1Y
Absolute return	-0.9%	-3.5%	-10.0%

Shareholding pattern (As of Dec'22 end)

Promoter	67.7%
FII+DII	29.8%
Others	2.5%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	ADD
Target Price	1229	1028

Financial Summary

(Rs mn)	FY23E	FY24E	FY25E
Revenues	52,102	53,951	56,344
YoY growth	93%	4%	4%
EBITDA	28067	30691	34260
YoY growth	138%	9%	12%
PAT	18935	21096	24295
YoY growth	85%	13%	18%
EPS	52	58	67
P/E	16.2	14.6	12.6
P/BV	2.5	2.2	1.8
D/E	0.27	0.22	0.18
EV/EBITDA	10.3	9.3	7.7
RoE (%)	15.8	15.3	15.5
RoCE (%)	16.6	16.4	16.3

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Exhibit 2: Quarterly snapshot (Console)

Particulars (Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	y/y %	q/q %	FY22	FY21	y/y %
Sales	8,320	8,235	9,131	6,886	16,295	95.8	136.6	26,940	20,526	31.2
EBITDA	3,316	3,518	4,922	3,104	9,404	183.6	202.9	11,813	10,004	18.1
EBITDA Margin %	39.9	42.7	53.9	45.1	57.7	1786bps	1263bps	43.9	48.7	(489bps)
Depreciation	99	97	98	101	102	2.8	1.3	398	412	(3.4)
EBIT	3,217	3,421	4,824	3,004	9,302	189.2	209.7	11,416	9,592	19.0
EBIT Margin %	38.7	41.5	52.8	43.6	57.1	1843bps	1346bps	42.4	46.7	(436bps)
Interest charges	200	316	326	363	381	12.7	(1.7)	860	760	13.1
Other Income	142	195	217	232	220	12.7	(1.7)	585	380	53.8
PBT	3,159	3,300	4,715	2,873	9,141	12.7	(1.7)	11,140	9,212	20.9
Tax	837	984	1137	692	2283	12.7	(1.7)	3,065	1,851	65.5
Effective Tax Rate (%)	26.5	29.8	24.1	24.1	25.0	(152bps)	87bps	25.2	25.2	0 bps
PAT	4,675	2,324	4,031	3,186	7,003	12.7	(1.7)	10,471	7,393	41.6
PAT Margin %	56.2	28.2	44.1	46.3	43.0	(1321bps)	(329bps)	38.9	36.0	285 bps
EPS (Rs)	12.9	6.4	11.1	8.8	19.3	12.7	(1.7)	22.2	20.2	9.7

Source: Company, YES Sec

Exhibit 3: Operational Performance

Particulars (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	y/y %	q/q %	FY22	FY21	y/y %
Residential											
Sales (msf)	0.4	1.0	0.52	0.40	0.37	0.36	(65.5)	(3.0)	2.1	1.7	22.2
Sales (Rs mn)	8,287	19,652	9,128	7,611	11,557	6,307	(67.9)	(45.4)	38,766	32,802	18.2
Collection (Rs mn)	5,346	9,815	9,300	5,574	8,780	4,277	(56.4)	(51.3)	30,957	16,443	88.3
Blended APR (Rs/sft)	18,675	18,884	17,556	18,971	31,199	17,557	(7.0)	(43.7)	18,491	19,114	(3.3)
Revenue (Rs. mn)	6,708	7,091	6734.4	12,026	11,915	14,788	108.5	24.1	22,648	16,571	36.7
Oberoi Mall											
Revenue (Rs. mn)	38	247	803	376	347	373	51.4	7.5	1120	1166	(4.0)
EBITDA (Rs. mn)	19	233	767	359	332	355	52.6	6.9	1039	1073	(3.2)
EBITDA Margin (%)	50.3	94.2	95.5	95.6	95.5	95.0	78bps	(48bps)	92.8	92.0	75bps
Occupancy (%)	94.6	96.2	95.0	96.0	96.2	97.0	77bps	81bps	94.6	93.9	73bps
Rental Rate (Rs/sft/month)	24	155	510	236	218	233	50.9	7.1	178	187	(4.7)
Commerz											
Revenue (Rs. mn)	71	71	73	78	76	69	(3.1)	(8.7)	287	228	26.1
EBITDA (Rs. mn)	65	65	66	61	68	62	(4.6)	(7.9)	262.4	192.8	36.1
EBITDA Margin (%)	91.6	91.5	91.0	77.5	89.2	90.0	(146bps)	80bps	91	85	673bps
Occupancy (%)	53.5	53.5	53.5	53.5	56.8	57.0	346bps	24bps	53.54	38.58	1496bps
Rental Rate (Rs/sft/month)	142	142	145	155	142	130	(8.8)	(8.7)	143	135	5.9

Source: Company, YES Sec

Exhibit 4: Operational Performance (Continued)

Particulars (Rs mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	y/y %	q/q %	FY22	FY21	y/y %
Commerz II											
Revenue (Rs. mn)	321	325	272	272	288	295	(9.4)	2.2	1238	1285	(3.7)
EBITDA (Rs. mn)	304	310	250	251	268	274	(11.7)	2.4	1166	1209	(3.5)
EBITDA Margin (%)	94.7	95.3	92.1	92.3	92.7	93.0	(231bps)	26 bps	94.2	94.0	13 bps
Occupancy (%)	97.4	97.4	80.9	80.9	81.1	80.0	(1739bps)	(111bps)	93.3	98.0	(478bps)
Rental Rate (Rs/sft/month)	140	142	143	143	151	157	10.4	3.5	141	140	0.7
The Westin											
Revenue (Rs. mn)	164	249	228	348	341	419	68.0	23.1	720	325	121.2
EBITDA (Rs. mn)	27	60	56	136	111	158	164.9	42.8	116	(52)	(324.9)
EBITDA Margin (%)	16.6	23.9	24.4	39.0	32.5	38.0	1410bps	551bps	16.1	(15.8)	3193bps
Number of Rooms	269	269	269	269	269	269	0.0	0.0	269	269	0.0
Average Room Rent (Rs.)	4,378	6,918	7,166	9,116	9,546	12,344	78.4	29.3	5,787	5,782	0.1
Occupancy (%)	83.7	72.2	74.7	91.3	82.7	80.0	776bps	(272bps)	67.3	32.2	3512bps
RevPAR(Rs.)	3,637	5,001	5,397	8,326	7,891	9,961	99.2	26.2	3,950	1,581	149.8

Source: Company, YES Sec

Exhibit 5: SoTP valuation at WACC 11.5% And Cap Rate 8%

Valuation Breakup	Rs. mn	Rs./share	Comments
Gross NAV Residential	74,458	205	NAV based on FY24E
Gross NAV Hotels	9,704	27	20x FY25E EV/EBITDA
Gross NAV - Lease Co	126,389	348	NAV based on FY24E
Land Bank & Other Assets	153,280	422	25% Discount to NAV
Less: Net Debt	28,172	77	at the end of Q3FY23
Total NAV	335,659	923	for current portfolio
Business Development			
Redevelopment	18,058	50	
New Geography	25,981	71	Assuming Co. acquire project in next 5-6years of 5msf each
NAV Post BD	379,698	1044	
Premium To franchise @20%		185	on current portfolio
Target NAV		1229	
CMP		845	
Upside		45%	

Source: Company, YES Sec

Exhibit 6: Key Estimate Revision (Console)

Y/e 31 Mar	FY23E			FY24E		
	(Rs m)	Old	New	Change	Old	New
Revenues	60,503	52,102	(14%)	43,641	53,951	24%
EBITDA	30,815	28,067	(9%)	24,122	30,691	27%
PAT	21,206	19,357	(9%)	16,965	21,871	29%
EPS	58	52	(10%)	45	58	30%

Source: Company, YES Sec

PRESENTATION & CONCALL HIGHLIGHTS

- Office asset (i.e. Commerz & Commerz-II) reported revenue of Rs364mn a dip of 0.1% q/q and 8.3% y/y with EBITDA of Rs336mn and margin of 92.4% (38bps q/q & -224bps y/y). Commerz & Commerz-II reported occupancies of 57% & 80% respectively. Rental Rate for Commerz de-grew by 9% both q/q and y/y basis to Rs130/sft/mnth. While Commerz-II witnessed a decent uptick in rental rate of 3.5% q/q & 10.4% y/y to Rs157/sft/mnth.
- OBER has successfully concluded the transaction with Blue Star Limited ('BSL') for acquiring the lands admeasuring ~32,204 sqm (~8acres) located at Pokhran Road 2, Thane adjacent to Glaxo land parcel. The Company has paid the entire consideration of Rs1923.1mn to BSL. This would give an additional saleable area of ~2.25msf. in the existing Pokhran project.
- OBER successfully concluded the acquisition of residential premises in the project 'Three Sixty West' for an aggregate consideration of up to Rs40bn.
- Company has robust pipeline for the remaining inventory of 63units in 360-West and confident to liquidate it at a good pace and incremental sales would be free cash flow as all costs are already borne for.
- OBER is focusing on business development and evaluating multiple projects to deploy the cashflow generated from the completed projects like 360 West & Mulund projects as OC received. Additionally, the company prefers to buy big land parcels like Goregaon & Thane and from the multinational companies as it comes with a clean title.
- OBER is geared up to launch the Kolshet, Thane around 16th March'23 (under JDA) and in Q1FY24 targeting the Pokhran -2 launch.
- OBER has signed MOU and closed to sign a definitive agreement with the landowner in Gurgaon.
- Company took debt for 360-West transaction but with incremental cashflow from OC received projects net debt to equity should be at similar level of Q3FY23 by the end of FY23.
- For Borivali Mall, superstructure completed, interior work is in progress and one marquee international brand has already signed other than the cinema brand. Demand is robust and expect to lease out the whole mall in just one quarter. Borivali mall is leased at upwards of Rs250/sft/month.
- Commerz III is achieving rental rate in the range of Rs220-260/sft/month carpet depending on size of lease.
- Company has already started construction of the remaining 2 of 3 towers of Elysian and reached 4-floor. And might launch new inventory around Sept-Oct'23.

FINANCIALS

Exhibit 7: Balance Sheet (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
Equity capital	3,636	3,636	3,636	3,636	3,636
Reserves	90,055	100,525	118,573	139,135	163,686
Net worth	93,691	104,161	122,209	142,771	167,322
Debt	15,338	28,555	33,055	31,555	30,055
Deferred tax liab (net)	(620)	(455)	(455)	(455)	(455)
Other non-current liabilities	1,851	2,085	2,085	2,085	2,085
Total liabilities	110,260	134,347	156,895	175,956	199,008
Fixed Asset	29,935	42,772	41,744	40,616	39,588
Investments	16,196	26,794	26,794	26,794	26,794
Other Non-current Assets	6,977	6,842	6,842	6,842	6,842
Net Working Capital	55,822	55,008	58,018	74,587	77,556
Inventories	46,626	50,361	54,575	71,294	74,456
Sundry debtors	1,280	1,246	3,962	4,103	4,285
Loans and Advances	3,727	4,691	4,691	4,691	4,691
Sundry creditors	3,218	4,247	8,168	8,458	8,833
Other current liabilities	5,976	17,597	17,597	17,597	17,597
Cash & equivalents	1,331	2,932	23,497	27,118	48,229
Total Assets	110,260	134,347	156,895	175,956	199,008

Source: Company, YES Sec

Exhibit 8: Cash Flow (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
PBIT	9,244	13,536	25,305	28,193	32,467
Depreciation	412	398	2,246	2,128	2,028
Tax paid	(2,031)	(2,911)	(6,369)	(7,096)	(8,172)
Working capital Δ	(999)	1,765	(3,010)	(16,569)	(2,969)
Other operating items					
Operating cashflow	6,960	10,687	19,589	8,380	25,825
Capital expenditure	(13,238)	(12,062)	(1,219)	(1,000)	(1,000)
Free cash flow	(6,277)	(1,374)	18,371	7,380	24,825
Equity raised					
Investments	7,328	(1,838)	0	0	0
Debt financing/disposal	316	13,051	4,500	(1,500)	(1,500)
Interest Paid	(1,480)	(1,628)	(996)	(951)	(905)
Dividends paid	0	0	(1,309)	(1,309)	(1,309)
Net Δ in cash	(113)	8,210	20,566	3,621	21,111

Source: Company, YES Sec

Exhibit 9: Income statement (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	20,526	26,940	52,102	53,951	56,344
Operating profit	10,004	11,813	28,067	30,691	34,260
Depreciation	412	398	2,246	2,128	2,028
Interest expense	760	860	996	951	905
Other income	380	585	480	580	1,140
Profit before tax	9,212	11,140	25,305	28,193	32,467
Taxes	1,851	3,065	6,369	7,096	8,172
Adj. PAT	7,393	10,471	19,357	21,871	25,860
Net profit	7,360	8,075	18,935	21,096	24,295

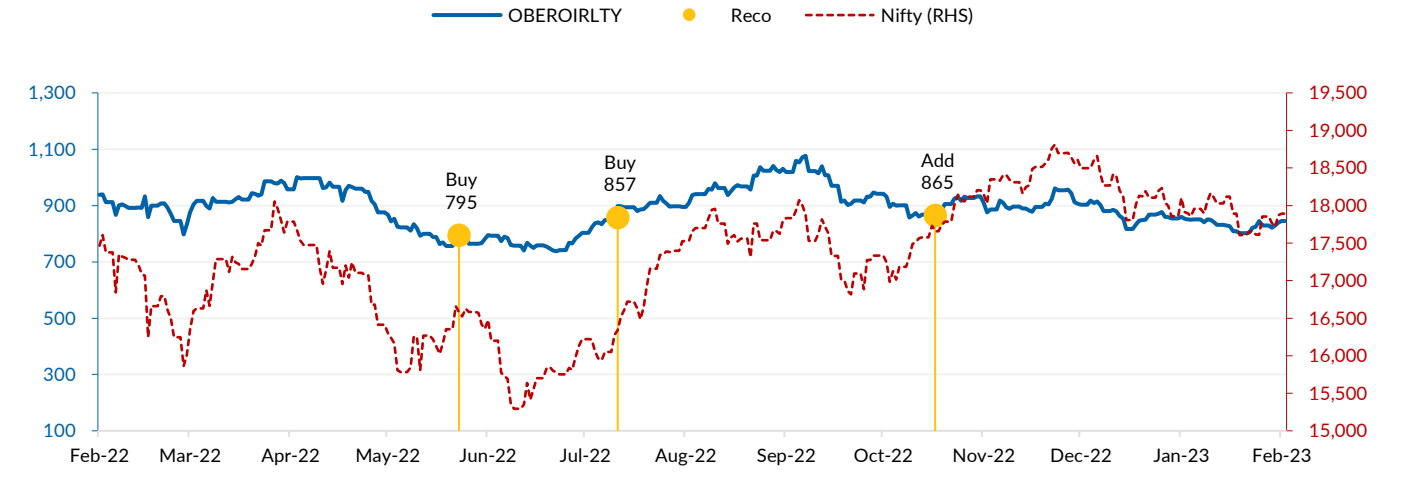
Source: Company, YES Sec

Exhibit 10: Growth and Ratio matrix

Y/e 31 Mar	FY21	FY22	FY23E	FY24E	FY25E
Growth matrix (%)					
Revenue growth	(8.3)	31.2	93.4	3.6	4.4
Op profit growth	(4.5)	18.1	137.6	9.4	11.6
EBIT growth	(4.4)	19.0	126.2	10.6	12.8
Net profit growth	7.2	41.6	84.9	13.0	18.2
Profitability ratios (%)					
OPM	48.7	43.9	53.9	56.9	60.8
EBIT margin	46.7	42.4	49.6	52.9	57.2
Net profit margin	36.0	38.9	37.2	40.5	45.9
RoCE	8.8	8.6	16.6	16.4	16.3
RoNW	7.9	10.1	15.8	15.3	15.5
RoA	72.6	82.4	43.3	50.8	61.5
Per share ratios					
EPS	20.2	22.2	52.1	58.0	66.8
Dividend per share	0.0	0.0	3.0	3.0	3.0
Cash EPS	21.4	23.3	58.3	63.9	72.4
Book value per share	257.7	286.5	336.1	392.7	460.2
Payout (%)					
Dividend payout	0.0	0.0	5.8	5.2	4.5
Tax payout	25	25	25	25	25
Liquidity ratios					
Debtor days	23	18	28	28	28
Inventory days	829	682	382	482	482
Creditor days	57	57	57	57	57

Source: Company, YES Sec

Recommendation Tracker



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DISCLOSURE OF INTEREST

Name of the Research Analyst : Abhishek Lodhiya, Sonu Upadhyay

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