

# Oberoi Realty

## New launches to drive rerating

Oberoi Realty (ORL) registered presales of INR 25.5bn (including 360W INR 18.7bn under Oasis, +176% YoY). ORL has a strong launch pipeline for FY24, with a new tower expected to open up in Goregaon and a project launch in Thane (Pokhran and Kolshet) that is expected by Q3/Q4FY24 (3-4msf in Phase 1). Commerz 3 and Borivali Mall are expected to start operation by Mar/Jun'24 resp., with rental potential of INR c.5bn in Commerz 3 and INR c.3.5bn in the mall. The gross debt inched up to INR 39bn (INR 30bn in Dec'22), mainly to finance the unit sale transaction with Oasis Realty. Whilst the results seemed a bit tepid, we believe ORL will generate robust cash flows from ready-to-move-in inventory in the 360W and Mulund projects. Besides new business development outside MMR shall aid further rerating. We remain constructive on ORL and maintain BUY, with an unchanged NAV-based TP of INR 1,158/sh.

- Financial highlights:** Revenue: INR 9.6bn (+17%/-41% YoY/QoQ, miss by 17%). EBITDA: INR 3.7bn (+4.8%/-61% YoY/QoQ, miss by 41%). EBITDA margin: 38.3% (-437bps/-1936bps YoY/QoQ) vs our estimate of 53.8%. PBT: INR 3.3bn (+0.2%/-64% YoY/QoQ). RPAT: INR 4.8bn (+107%/-32%, YoY/QoQ). Subsequent to the retirement of Oasis JV, ORL eliminated its share of profit of INR 7bn on unsold inventory. As a result, ORL recognized a deferred tax asset of INR 1.7bn. APAT after adjusting for deferred tax asset: INR 3bn (+32%/-56%, YoY/QoQ, a miss of 30%).
- Decent presales; Thane project launch in FY24:** For Q4FY23/FY23, ORL registered robust presales of INR 25.5/INR 51bn. Whilst the leads pipeline is strong, the management bandwidth will incrementally be used for new business development and launches. With the acquisition of Blue Star land, the ORL Pokhran, Thane RERA carpet area is now c.15msf (100% economic interest) while the Kolshet, Thane land has a RERA carpet of 2.5msf (77% economic interest). These launches are expected by Q3FY24. The initial phase launch for Pokhran will see 3-4msf of the parallel launch of a residential, international school and a five-star hotel. Apart from these, one high-end sports club and a small 0.1-0.2msf high street retail are also expected. Commerz 3 under its commercial portfolio will be operational by Mar'24 (INR 5bn annual rental expected at maximum occupancy) and the Borivali mall is expected to start by Jun'24 (INR 3.5bn annual rental expected at maximum occupancy).
- Balance sheet position comfortable:** The consolidated gross/net debt stood at INR 39.1/30.5bn vs. INR 30.5/24.6bn as of Dec'22, with net D/E at 0.25x (vs. 0.21x as of Dec'22). This increase in debt was on account of unit purchases from Oasis Realty in the 360W project. For this transaction, ORL paid INR 36bn (incl. stamp duty). CFO was negative INR 24bn for FY23. Trade receivables were high at INR 11bn, mainly on account of pending collection from both Mulund projects, which received part OC in Dec'22.

### Consolidated financial summary (INR mn)

Particulars	Q4FY23	Q4FY22	YoY(%)	Q3FY23	QoQ(%)	FY22	FY23	FY24E	FY25E
Net Sales	9,614	8,235	16.8	16,295	(41.0)	26,940	41,926	44,200	47,868
EBITDA	3,687	3,518	4.8	9,404	(60.8)	11,813	21,117	24,287	27,336
APAT	3,075	2,324	32.3	7,026	(56.2)	10,471	19,045	16,304	18,056
Diluted EPS (INR)	8.5	6.4	32.3	19.3	(56.2)	28.8	51.3	44.8	49.7
P/E (x)						31.8	17.8	20.4	18.4
EV / EBITDA (x)						29.6	16.1	13.5	12.2
RoE (%)						8.2	14.9	12.6	12.3

Source: Company, HSIE Research

## BUY

CMP (as on 17 May 23) INR 915

Target Price INR 1,158

NIFTY 18,182

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,158	INR 1,158
EPS Change (%)	FY24E	FY25E
	-	-

### KEY STOCK DATA

Bloomberg code	OBER IN
No. of Shares (mn)	364
MCap (INR bn) / (\$ mn)	333/4,068
6m avg traded value (INR mn)	499
52 Week high / low	INR 1,089/726

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	6.3	3.0	9.7
Relative (%)	5.3	3.3	(3.6)

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	67.70	67.70
FIs & Local MFs	12.46	12.10
FPIs	17.33	17.76
Public & Others	2.51	2.44
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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**Disclosure:**

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