

Estimate change

TP change

Rating change


Bloomberg	OBER IN
Equity Shares (m)	364
M.Cap.(INRb)/(USDb)	332.7 / 4
52-Week Range (INR)	1088 / 726
1, 6, 12 Rel. Per (%)	-3/4/-2
12M Avg Val (INR M)	617

Financials & Valuations (INR b)

Y/E Mar	FY23	FY24E	FY25E
Sales	41.9	45.7	52.8
EBITDA	21.1	19.6	24.2
EBITDA (%)	50.4	42.9	46.0
PAT	19.0	13.2	16.5
EPS (INR)	52.4	36.4	45.4
EPS Gr. (%)	81.9	-30.5	24.8
BV/Sh. (INR)	336	370	414

Ratios

Net D/E	0.3	0.2	0.1
RoE (%)	16.8	10.3	11.6
RoCE (%)	12.4	8.9	10.4
Payout (%)	3.8	5.5	4.4

Valuations

P/E (x)	17.6	25.3	20.3
P/BV (x)	2.7	2.5	2.2
EV/EBITDA (x)	17.5	18.3	14.3
Div Yield (%)	0.2	0.2	0.2

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	67.7	67.7	67.7
DII	12.1	12.5	9.1
FII	17.8	17.3	20.3
Others	2.4	2.5	2.9

CMP: INR915
TP: INR1,140 (+25%)
Buy

Launches key to drive pre-sales growth

Subdued quarter in terms of pre-sales, due to absence of launches

- Oberoi Realty (OBER) reported sales bookings of INR6.7b (in line with our estimate of INR7b), which was down 27% YoY, due to the absence of any major launches and a drop in sales velocity across projects in Borivali, Goregaon, and Mulund (Enigma). Total units sold were down to 107 from 234 in 4QFY22.
- After a muted performance in 3QFY23, sales at Elysian, Goregaon, have shown signs of recovery, with reported bookings of 12 units. Additionally, OBER sold three units in 360-west, Worli, from its own inventory, following a settlement with its JV partner.
- Collections were down 10% YoY, but doubled QoQ to INR8.5b, as the company started handing over units in Mulund projects. Mismatch in timing of stamp duty and tax payments with regards to transfer of units in 360-west led to an increase in net debt by INR6b to INR31b. However, D/E remained flat at 0.25x, due to a rise in equity, led by recognition of profits from the transaction.
- **P&L performance** - Revenue increased 17% YoY to INR9.6b (6% below estimate), due to recognition of sales from 360-west, Worli, which contributed 24% to revenue. Recognition of costs from new tower in Sky-city, Borivali, and increase in opex led to a 500bp-decline in EBITDA margin to 38%. Thus, EBITDA growth was restricted at 5% YoY to INR3.7b (25% below estimate). PAT more than doubled YoY to INR4.8b, due to recognition of deferred tax benefit of INR1.8b.

Momentum in Hospitality sustained; commercial performance steady

- The Hospitality segment maintained its robust performance as The Westin, Mumbai, reported its highest-ever ARR of over INR13,700, up 11% QoQ and clocked an occupancy of 84% (v/s 80% in 3Q). Revenue increased 10% QoQ to INR461m. EBITDA, however, increased 32% QoQ to INR208m, due to a 740bp increase in margin to 45%.
- Blended occupancy in commercial portfolio declined 100bp as trading occupancy at the mall declined 13%YoY with ~45,000sqft being re-modeled. However, this was offset by a 700bp increase in occupancy at Commerz II. Rental revenue was flat at INR735m. EBITDA margin declined 400bp, which led to a 4% decline in EBITDA to INR665m.

Key management commentary

- **New Launches:** The company has taken approvals under the new DCPR for both the projects in Thane. The Experience centre, including a show flat, is completed at both the sites and the company is gearing up for the launch of Kolshet road project in 2QFY24.
- OBER's larger project at Pokhran road is expected to be launched in 2Q/3QFY24. Lastly, the management is also targeting to launch another tower at Goregaon during the festive season of FY24.

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- **Pokhran road project** development will comprise residential, hotel, and international school. Work will commence simultaneously on all segments, and the cumulative development in Phase 1 will be 3-4msf.
- The management also has plans to develop a high-end sports club (akin to Worli project) at this location.
- **Cash flow:** With Mulund achieving 100% revenue recognition, the remaining collections are recorded as receivables (which has increased significantly) and as possessions materialize, this should come down to historical levels.
- OCF is expected to remain strong and the management continues to evaluate multiple BD opportunities in Mumbai and beyond.
- **Pricing:** The company has taken healthy price hikes at Elysian. In Mulund, the increased ASP is a function of GST getting absorbed in price and the company selling higher floors. The management is targeting to liquidate unsold inventory at Mulund in two to three years.

Valuation and View

- The company reiterated its plan to launch both the Thane projects in FY24, and hence, we maintain our pre-sales and expect the company to report 66% growth in pre-sales to INR54b in FY24 and will likely sustain the run-rate over the next two three years
- While the launch of Thane projects will be a key growth driver in FY24, new land acquisitions are key to providing long-term growth visibility, due to shrinking inventory from existing key projects such as Borivali and Mulund. Thus, business development remains a key re-rating trigger for the stock. **We reiterate our BUY rating with increased SoTP-based TP of INR1,140 as we roll-forward our valuation to Mar'25.**

Financial and Operational Summary

Y/E March	FY22				FY23				FY22	FY23	FY23E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	2,843	7,543	8,320	8,235	9,131	6,886	16,295	9,614	26,940	41,926	10,187	-6%
YoY Change (%)	140.8	138.6	0.4	4.2	221.2	-8.7	95.8	16.8	-35.7	55.6	23.7	
Total Expenditure	1,594	3,811	5,005	4,717	4,209	3,782	6,891	5,927	15,126	20,808	5,279	
EBITDA	1,249	3,731	3,316	3,518	4,922	3,104	9,404	3,687	11,813	21,117	4,908	-25%
Margins (%)	43.9	49.5	39.8	42.7	53.9	45.1	57.7	38.3	43.9	50.4	48.2	953bp
Depreciation	101	101	99	97	98	101	102	97	398	398	99	
Interest	173	171	200	316	326	363	381	621	860	1,691	370	
Other Income	105	143	142	195	217	232	220	337	585	1,006	138	
PBT before EO expense	1,080	3,602	3,159	3,300	4,715	2,873	9,141	3,306	11,140	20,036	4,578	
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	3,306	11,140	20,036	4,578	-28%
Tax	290	954	837	984	1,137	692	2,260	-896	3,065	3,193	1,344	
Rate (%)	26.9	26.5	26.5	29.8	24.1	24.1	24.7	(27)	27.5	15.9	29.4	
Minority Interest & Profit/Loss of Asso. Cos.	17	18	2,353	8	453	1,006	144	601	2,396	2,204	22,000	
Reported PAT	806	2,666	4,675	2,324	4,031	3,186	7,026	4,803	10,471	19,046	25,234	
Adj PAT	806	2,666	4,675	2,324	4,031	3,186	7,026	4,803	10,471	19,046	3,234	49%
YoY Change (%)	187.2	93.5	62.9	-19.0	400.0	19.5	50.3	106.7	-28.5	81.9	986.0	
Margins (%)	28.4	35.3	56.2	28.2	44.1	46.3	43.1	50.0	38.9	45.4	247.7	
Operational metrics												
Residential												
Sale Value (INRm)	1,700	8,287	19,651	9,250	7,611	11,557	6,307	6,732	38,888	32,203	7,175	-6%
Collections (INRm)	4,990	5,346	9,815	9,513	5,574	8,780	4,277	8,537	29,664	27,167	10,309	-17%
Realization (INR/sft)	25,554	25,706	29,393	27,345	30,150	31,234	28,465	41,196	27,862	41,097	17,539	135%
Leasing												
Occupancy (%)	87.5	88.1	88.7	80.5	80.7	81.1	80.8	83.0	86.2	82.8	87.8	-5%
Rental income (excl. CAM)	424	430	643	1,148	726	711	737	735	2,645	2,909	971	-24%
EBITDA (excl. CAM)	388	388	608	1,083	671	667	691	665	2,466	2,764	959	-31%
Hospitality												
Occupancy (%)	38.7	83.7	72.2	74.8	91.3	82.7	80.0	84.0	51	85		
ARR (INR)	4,685	4,378	6,918	7,166	9,116	9,546	12,344	13,723	5,787	11,182		
Revenue	78	164	250	228	348	341	419	461	720	1,709		
EBITDA	-27	27	60	56	136	111	158	208	116	615		

Source: Company, MOFSL

Key exhibits

Exhibit 1: Pre-sales declined 27% YoY to INR7b...

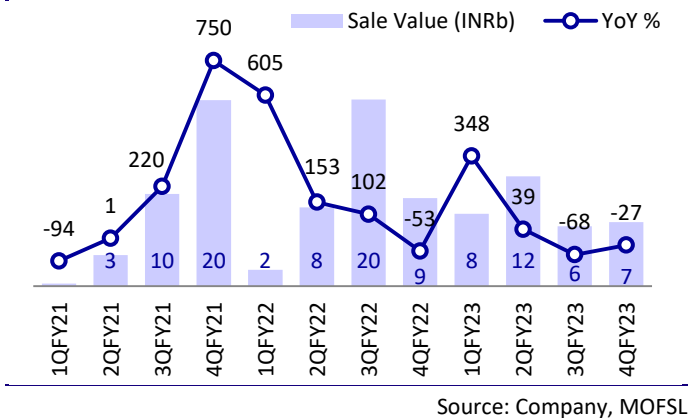


Exhibit 2: ...while volumes declined 53% YoY

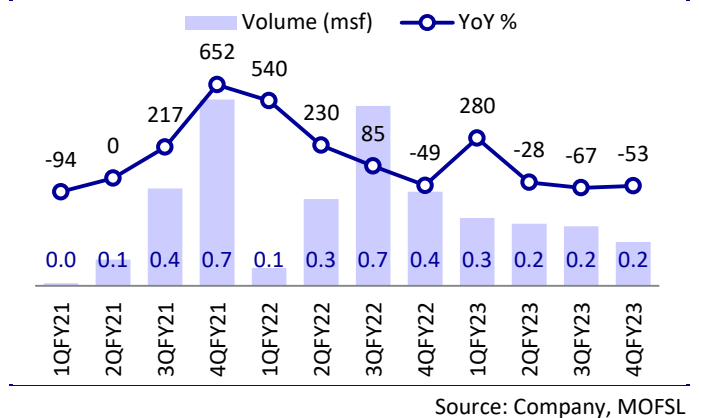


Exhibit 3: Sales revived at Elysian and Skycity/Eternia witnessed steady velocity

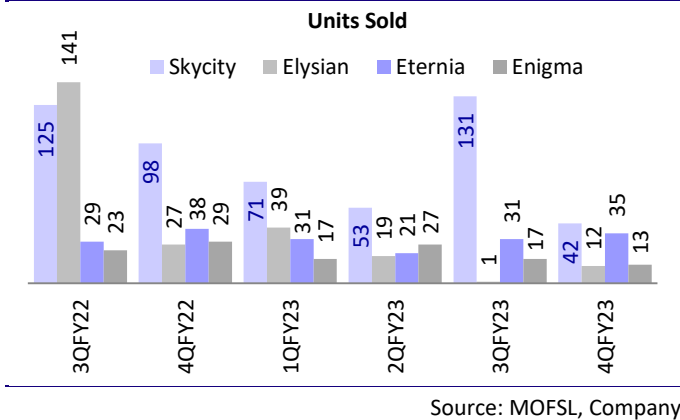


Exhibit 4: Collections improved to INR8.5b

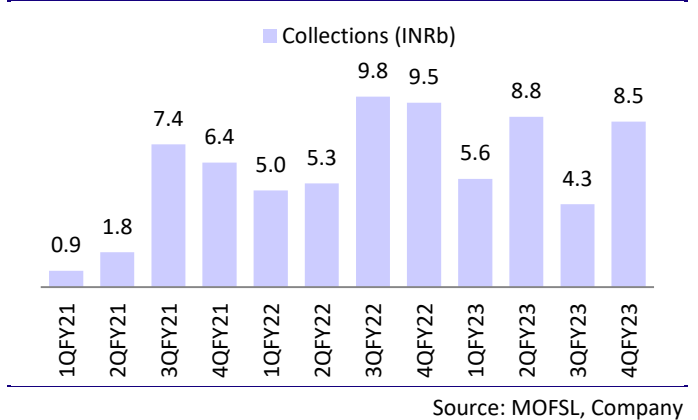


Exhibit 5: Mall revenue in 4QFY23 stood at INR365m

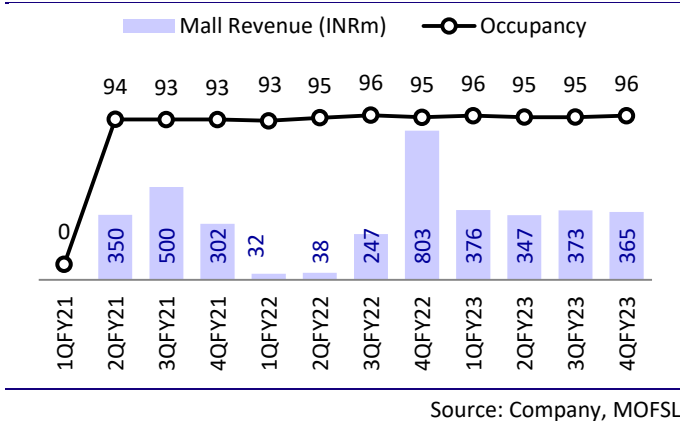


Exhibit 6: EBITDA stood at INR328m, with a minor drop in margin

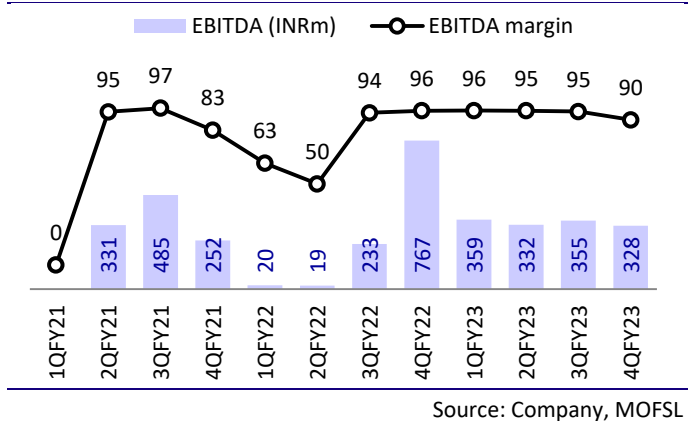
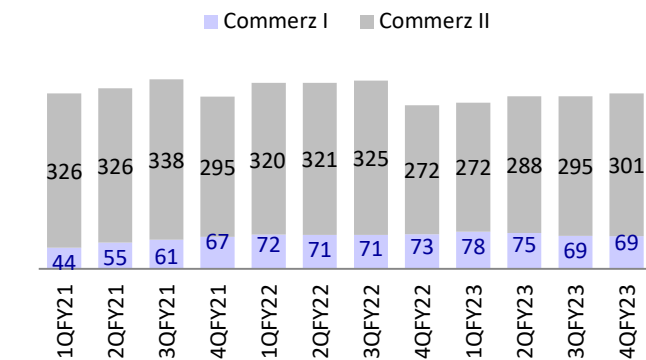
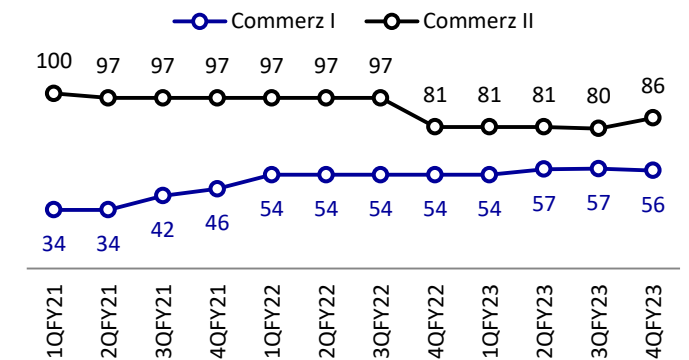
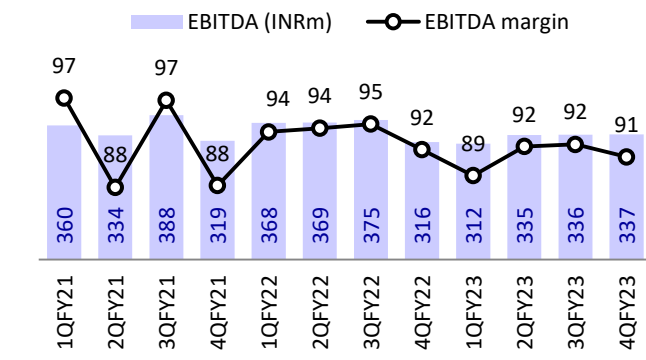


Exhibit 7: Revenue from office assets increased 8% YoY....

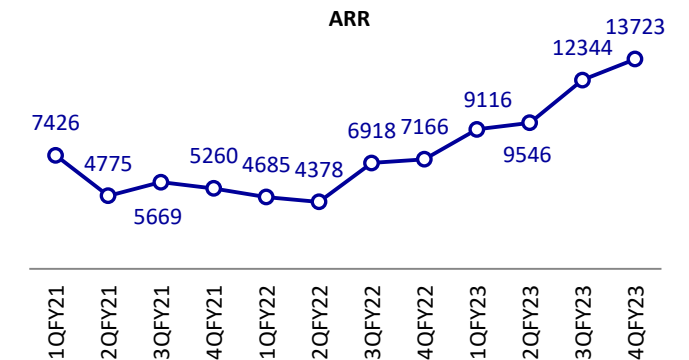
Source: MOFSL, Company

Exhibit 8: ...driven by a rise in occupancy at Comm-II

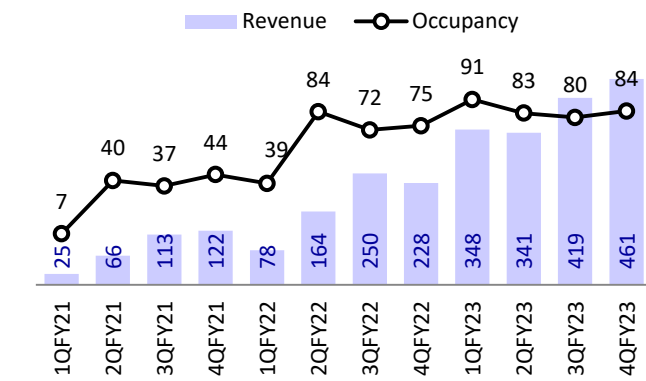
Source: MOFSL, Company

Exhibit 9: EBITDA stood at INR337m, with a stable margin of 91%

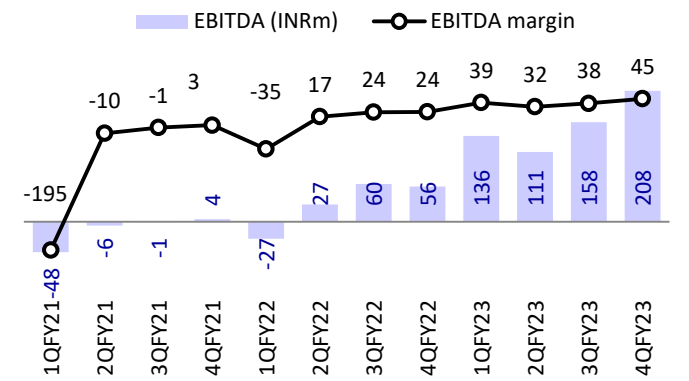
Source: MOFSL, Company

Exhibit 10: Hotel segment witnessing consistent rise in ARR

Source: MOFSL, Company

Exhibit 11: Hospitality continued to deliver healthy performance, on the back of rising ARR and occupancy

Source: MOFSL, Company

Exhibit 12: The segment delivered highest ever EBITDA of INR208m

Source: MOFSL, Company

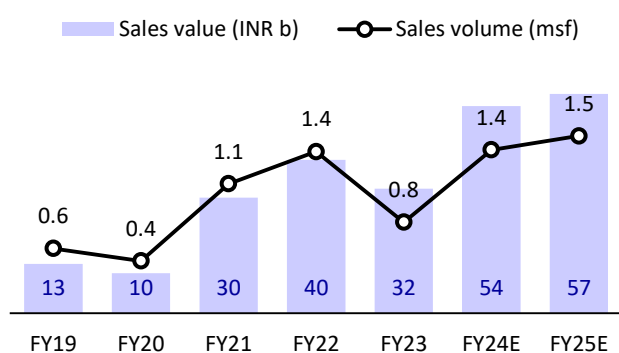
Story in charts

Exhibit 13: OBER has a pipeline of 16msf across four projects

Project	Pending area to be launched	Comment
Sky City	0.8	❖ The company expects to launch the next phase at Sky-City in the next 12 months.
Worli	0.0	❖ The company is still contemplating between residential and commercial projects at this site. Being adjacent to 360-west, the launch will only happen post FY24.
Elysian	2.1	❖ The company is planning to launch another phase in 2HFY24.
Pokhran Rd - Thane	11	❖ The company is looking to launch the first phase of Thane project by 3QFY24.
Kolshet Rd - Thane	1.7	❖ This project is scheduled for a launch in 2QFY24.
Total	16	

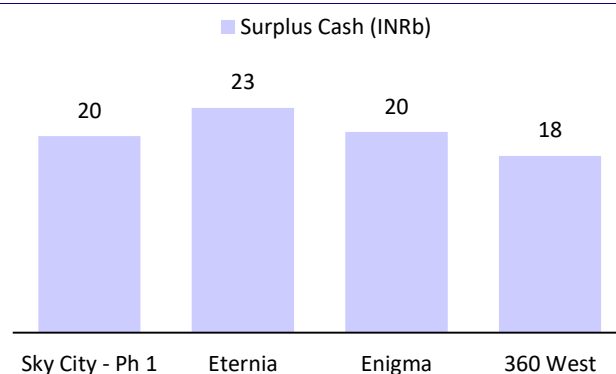
Source: MOFSL, Company

Exhibit 14: OBER to deliver strong growth in sales bookings over FY23–25, aided by the launch of key projects



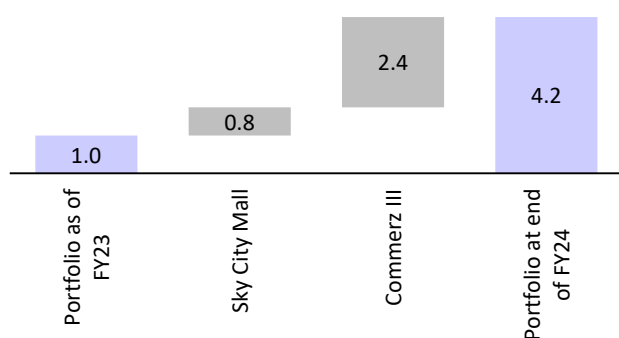
Source: Company, MOFSL

Exhibit 15: Completed projects can generate INR80b of surplus cash



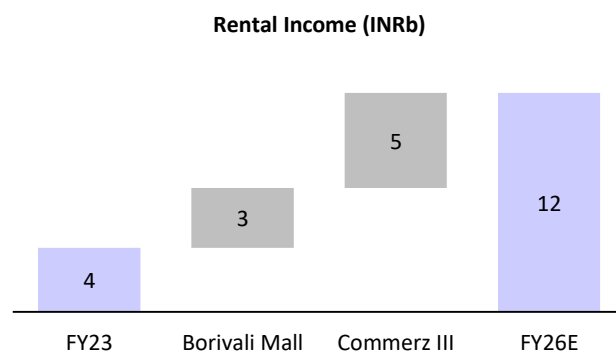
Source: Company, MOFSL

Exhibit 16: Commercial portfolio set to expand to 4.2msf by FY24

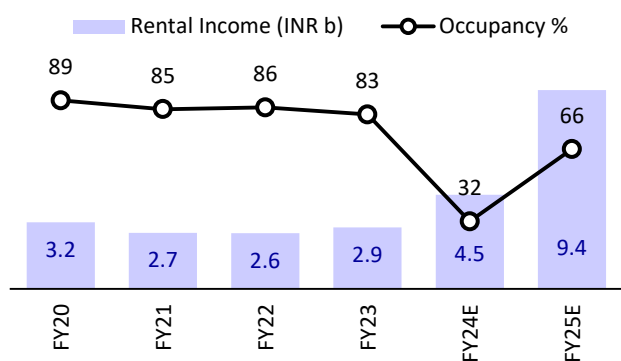


Source: Company, MOFSL

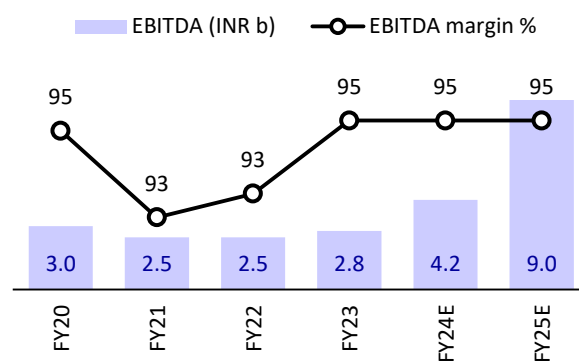
Exhibit 17:and generate INR12b income by FY26



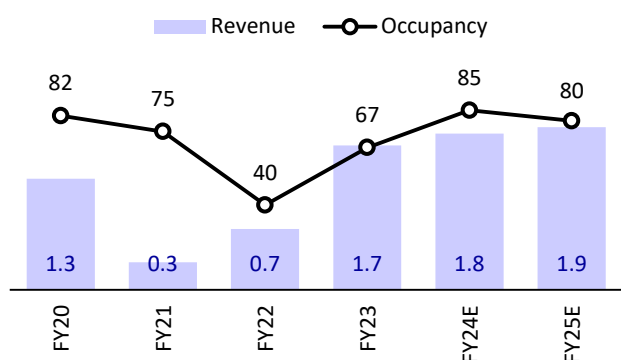
Source: Company, MOFSL

Exhibit 18: Expect rental income to rise by 3x over FY23–25

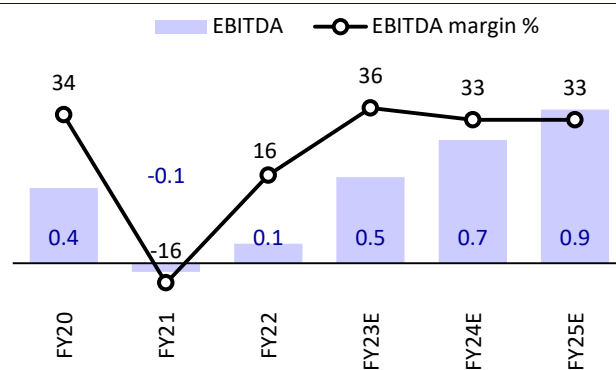
Source: MOFSL, Company

Exhibit 19: EBITDA margin to recover to 95%+

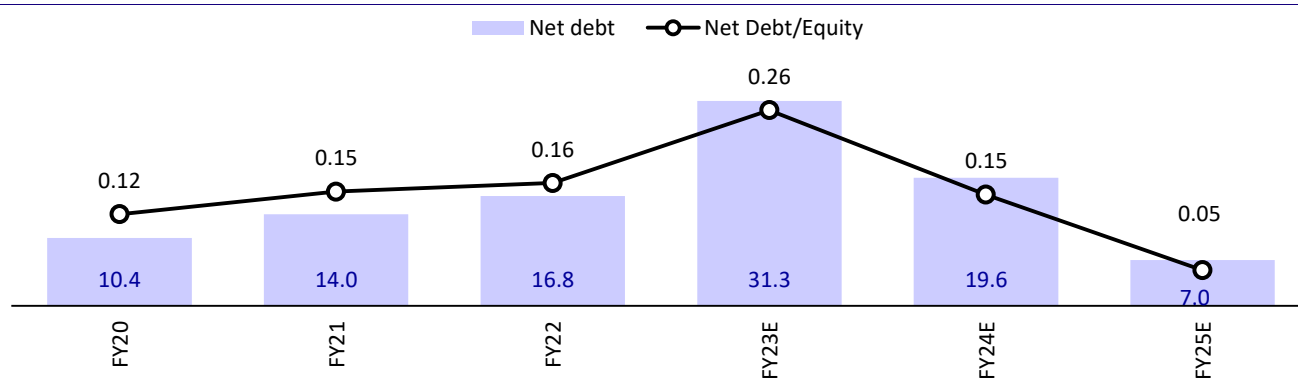
Source: MOFSL, Company

Exhibit 20: Steady occupancy coupled with a gradual rise in ARR to support hospitality sales (INRb)

Source: Company, MOFSL

Exhibit 21: EBITDA margin to sustain at 30%+

Source: Company, MOFSL

Exhibit 22: Annual post-tax cash flow run-rate of INR15-30b over the next 3–4 years to provide OBER with financial strength to focus on business development

Source: MOFSL, Company

Exhibit 23: Changes in our estimates

(INR m)	Old		New		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	42,858	49,727	45,822	53,007	7%	7%
EBITDA	18,288	23,152	19,399	24,102	6%	4%
Adj. PAT	12,012	15,468	13,077	16,409	9%	6%
Pre-sales	54,699	53,250	57,747	59,568	6%	12%
Collections	46,583	53,540	43,664	53,520	-6%	0%

Source: MOFSL, Company

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 a terminal value using a perpetual growth rate of 3%.
- Its operational commercial assets are valued at 8.5% cap rate on FY25E EBITDA and the ongoing projects are valued using DCF.
- The hospitality segment is valued at 17.5x FY24E EV/EBITDA (comparable to IHCL)

Based on the above approach, we arrive at a GAV of INR431b. Netting off estimated net debt of INR20b for FY24, we derive an NAV of INR414b, or INR1140/share, indicating an upside potential of 25%.

Exhibit 24: Based on our SoTP approach, we arrive at a NAV of INR400b, or INR1,140 per share, indicating an upside potential of 25%

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	304	835	73%
Leasing – Offices and Malls	❖ Cap rate of 8.5% for operational assets and DCF for ongoing and planned assets	118	325	29%
Hospitality	❖ FY24E EBITDA at 17.5x EV/EBITDA	12	33	3%
Gross Asset Value	❖	434	1193	105%
Less: Net Debt	❖ FY24E estimate	(20)	(54)	(5%)
Net Asset Value		414	1140	100%
CMP			915	
Up/down (%)			25%	

Source: MOFSL, Company

Financials and valuations

Consolidated Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	25,825	22,376	20,526	26,940	41,926	45,717	52,758
Change (%)	104.1	-13.4	-8.3	31.2	55.6	9.0	15.4
Total Expenditure	14,271	11,897	10,522	15,126	20,808	26,108	28,512
As a percentage of Sales	55.3	53.2	51.3	56.1	49.6	57.1	54.0
EBITDA	11,554	10,480	10,004	11,813	21,117	19,609	24,246
Margin (%)	44.7	46.8	48.7	43.9	50.4	42.9	46.0
Depreciation	440	449	412	398	398	1,132	1,862
EBIT	11,113	10,031	9,592	11,416	20,720	18,477	22,384
Int. and Finance Charges	194	885	760	860	1,691	1,722	1,222
Other Income	856	484	380	585	1,006	1,006	1,002
PBT bef. EO Exp.	11,776	9,630	9,212	11,140	20,036	17,761	22,164
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	11,776	9,630	9,212	11,140	20,036	17,761	22,164
Total Tax	3,607	2,796	1,851	3,065	3,193	4,529	5,652
Tax Rate (%)	30.6	29.0	20.1	27.5	15.9	25.5	25.5
Minority Interest/Profit from JV	0	59	32	2,396	2,204	0	0
Reported PAT	8,169	6,893	7,393	10,471	19,046	13,232	16,512
Adjusted PAT	8,169	6,893	7,393	10,471	19,046	13,232	16,512
Change (%)	78.1	-15.6	7.2	41.6	81.9	-30.5	24.8
Margin (%)	31.6	30.8	36.0	38.9	45.4	28.9	31.3

Consolidated Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	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	1,18,465	1,30,970	1,46,755
Net Worth	80,292	86,295	93,691	1,04,161	1,22,101	1,34,606	1,50,391
Minority Interest	0	0	0	0	0	0	0
Total Loans	8,361	11,439	15,338	28,555	39,441	29,441	19,441
Deferred Tax Liabilities	260	284	348	247	155	155	155
Capital Employed	88,912	98,018	1,09,378	1,32,964	1,61,697	1,64,201	1,69,986
Gross Block	12,526	12,824	12,907	12,965	13,055	60,555	60,555
Less: Accum. Deprn.	1,910	2,359	2,771	3,169	3,566	4,698	6,560
Net Fixed Assets	10,616	10,465	10,136	9,796	9,488	55,857	53,994
Goodwill on Consolidation	0	0	0	0	0	0	0
Capital WIP	1,261	3,055	19,799	32,975	40,312	4,723	14,726
Total Investments	29,378	24,062	16,196	26,794	7,027	7,027	7,027
Curr. Assets, Loans, and Adv.	69,983	74,632	74,405	87,340	1,29,584	1,20,386	1,13,143
Inventory	41,655	53,173	46,626	50,361	85,431	82,208	78,691
Account Receivables	1,094	1,153	1,280	1,246	10,983	1,253	1,445
Cash and Bank Balance	4,253	1,083	1,331	2,932	5,129	4,924	7,438
Loans and Advances	22,981	19,223	25,168	32,802	28,040	32,002	25,569
Curr. Liability and Prov.	22,325	14,196	11,158	23,942	24,713	23,791	18,903
Account Payables	2,323	859	938	4,247	2,423	1,788	1,953
Other Current Liabilities	19,974	13,294	10,194	19,108	21,817	21,944	16,883
Provisions	28	43	26	587	474	59	68
Net Current Assets	47,658	60,436	63,247	63,398	1,04,870	96,595	94,240
Appl. of Funds	88,912	98,018	1,09,378	1,32,964	1,61,697	1,64,202	1,69,987

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	22.5	19.0	20.3	28.8	52.4	36.4	45.4
Cash EPS	23.7	20.2	21.5	29.9	53.5	39.5	50.5
BV/Share	220.8	237.3	257.7	286.5	335.8	370.2	413.6
DPS	2.3	2.3	0.0	3.0	2.0	2.0	2.0
Payout (%)	10.0	14.3	0.0	10.4	3.8	5.5	4.4
Valuation (x)							
P/E	42.6	50.5	47.1	33.3	17.6	25.3	20.3
Cash P/E	40.5	47.4	44.6	32.0	17.2	23.3	18.2
P/BV	4.3	4.0	3.7	3.3	2.7	2.5	2.2
EV/Sales	13.6	16.0	17.7	13.9	8.8	7.9	6.6
EV/EBITDA	30.5	34.2	36.2	31.7	17.5	18.3	14.3
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	-82.1	35.2	42.7
Return Ratios (%)							
RoE	11.6	8.3	8.2	10.6	16.8	10.3	11.6
RoCE	10.0	8.0	7.7	7.2	12.4	8.9	10.4
RoIC	14.8	11.5	10.8	11.6	19.4	10.7	11.6
Working Capital Ratios							
Fixed Asset Turnover (x)	2.1	1.7	1.6	2.1	3.2	0.8	0.9
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	0.3	0.2	0.1

Consolidated Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
(INR m)							
OP/(Loss) before Tax	11,776	9,689	9,244	13,536	22,240	17,761	22,164
Depreciation	440	449	412	398	398	1,132	1,862
Interest and Finance Charges	-251	885	760	860	1,691	1,722	1,222
Direct Taxes Paid	-3,243	-2,221	-2,031	-2,911	-4,779	-4,529	-5,652
(Inc.)/Dec. in WC	-6,997	-11,205	-998	1,765	-40,226	8,070	4,870
CF from Operations	1,725	-2,404	7,387	13,648	-20,678	24,155	24,466
Others	-269	-416	-362	-2,961	-3,154	-1,006	-1,002
CF from Operations incl. EO	1,456	-2,820	7,025	10,687	-23,831	23,149	23,464
(Inc.)/Dec. in FA	-1,707	-2,261	-13,241	-13,241	-6,018	-10,361	-7,953
Free Cash Flow	-251	-5,081	-6,216	-2,554	-29,850	12,788	15,511
(Pur.)/Sale of Investments	0	5,863	39	171	342	0	0
Others	-5,053	-857	6,687	-829	24,616	1,006	1,002
CF from Investments	-6,760	2,745	-6,515	-13,900	18,941	-9,355	-6,951
Issue of Shares	11,827	0	0	0	0	0	0
Inc./(Dec.) in Debt	-1,103	-508	317	13,250	10,817	-10,000	-10,000
Interest Paid	-1,516	-1,711	-1,480	-1,628	-2,637	-3,272	-3,272
Dividend Paid	-819	-877	0	0	-1,091	-727	-727
Others	0	0	-1	-199	0	0	0
CF from Fin. Activity	8,389	-3,095	-1,164	11,422	7,088	-13,999	-13,999
Inc./Dec. in Cash	3,085	-3,169	-654	8,210	2,198	-205	2,514
Opening Balance	1,167	4,253	1,985	1,331	2,932	5,129	4,924
Closing Balance	4,253	1,083	1,331	9,541	5,129	4,924	7,438

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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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