




Estimate change 
TP change 
Rating change 

CMP: INR1,108 TP: INR1,200 (+8%) Downgrade to Neutral

Near-term triggers on launches and BD priced in

Oberoi Realty's stock has surged 22% in the last three months (in line with Nifty Realty), given improved macro sentiments for the real estate sector post the rate hike pause in Apr'23 and continued demand momentum. In our [recent note](#), we highlighted that FY24 is likely to be a big launch year for OBER with INR120b of launches planned in 2HFY24 and will lead to 74% growth in pre-sales in FY24. In order to sustain a healthy 15-20% growth rate, the company would have to add new projects into the pipeline. During the 1QFY24 earnings con-call, the management indicated that it is actively discussing potential acquisitions of new land parcels and may also finalize the closure of a few deals in FY24, especially the one in Gurugram. However, with lot of projects (two projects in Thane, GSK-Worli, Peddar Road, Tardeo redevelopment, Andheri redevelopment), already in the plate which are yet to be launched, we believe the management may adopt a cautious approach toward business development and will unlikely be aggressive in pursuing new acquisitions. At CMP, the company is trading at 30% above its total NAV and at 60% premium to value of its residential pipeline thereby factoring in large portion of company's expected growth. Hence, we downgrade the stock to NEUTRAL.

Upside Risk: Higher-than-expected new project additions in the near term

Muted pre-sales performance due to the absence of launches; zero sales at 360-West

- Oberoi Realty (OBER) had a subdued quarter with sales bookings of INR4.8b, which was down 37%/29% YoY/QoQ and 39% below our estimate. Muted performance was driven by a YoY drop in sales velocity across projects in Borivali, Goregaon, and Mulund and the absence of any sales in 360-west as compared to three units sold in 4QFY23. Total units sold were down to 110 from 164 in 1QFY23.
- Area booked was down 41%/11% YoY/QoQ to 0.15msf, while blended realization was up 6% YoY to INR32,600/sqft, largely driven by Goregaon (up 21% YoY) and Mulund projects (15-18% YoY)
- Collections doubled YoY to INR11b (up 30% QoQ). OBER generated an OCF of INR7.7b, leading to debt reduction of INR4b to INR27b.
- **P&L performance** - Revenue was flat YoY at INR9.1b, but 5% below our estimate due to zero sales from 360-west, Worli project, but was offset by higher leasing revenue. However, EBITDA came in 12% higher than our estimate at INR4.7b (down 4% YoY, but up 28% QoQ) due to 14ppts improvement in margin on account of profit recognition from Tower G at SkyCity and higher contribution from the leasing segment. PAT was down 20% YoY to INR3.2b, due to the absence of JV profit contribution.



Bloomberg	OBER IN
Equity Shares (m)	364
M.Cap.(INRb)/(USD\$)	402.5 / 4.9
52-Week Range (INR)	1127 / 790
1, 6, 12 Rel. Per (%)	10/22/5
12M Avg Val (INR M)	631

Financials & Valuations (INR b)

Y/E Mar	FY23	FY24E	FY25E
Sales	41.9	45.6	55.6
EBITDA	21.1	20.4	27.3
EBITDA (%)	50.4	44.7	49.2
PAT	19.0	14.1	18.7
EPS (INR)	52.4	38.7	51.5
EPS Gr. (%)	81.9	-26.0	32.9
BV/Sh. (INR)	335.8	372.6	422.0

Ratios

Net D/E	0.3	0.2	0.1
RoE (%)	16.8	10.9	13.0
RoCE (%)	12.4	9.6	11.7
Payout (%)	3.8	5.2	3.9

Valuations

P/E (x)	21.2	28.6	21.5
P/BV (x)	3.3	3.0	2.6
EV/EBITDA (x)	20.7	21.0	15.2
Div Yield (%)	0.2	0.2	0.2

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	67.7	67.7	67.7
DII	11.3	12.1	10.0
FII	18.2	17.8	19.4
Others	2.8	2.4	2.9

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Drop in occupancy at Commerz-II; Hospitality momentum sustains

- **Hospitality:** Occupancy at Westin, Goregaon, sustained at >80% for the fifth straight quarter. ARR grew 27% YoY to INR11,600, but cooled off by 15% QoQ. Revenue was up 13% YoY to INR0.4b, while EBITDA increased 6% YoY to INR145m at a margin of 37%, down 240bp YoY.
- **Commercial and Retail:** The revenue and EBITDA figures for the commercial and retail portfolio remained flat YoY at INR0.73b and INR0.68b, respectively. The segment generated an EBITDA margin of 94%. Blended occupancy dropped 30bps QoQ due to 6ppts decline in occupancy at Commerz-II, while the same at Commerz-I and Oberoi mall remained stagnant at 56%/96% respectively.

Key management commentary

- **Thane Launches:** The company will launch the Pokhran road project in 3QFY24 and the Kolshet road project is expected to follow in a couple of months. At Pokhran road, the construction work will soon commence on 5 towers (1800 units). The management has decided to launch the first phase with the release of 3 towers initially
- **Business development:** The company's expansion efforts are already in motion, with an ongoing deal in Gurugram, which is nearing its conclusion. Additionally, it has signed an LOI for a redevelopment project in Mumbai and are awaiting the signing of the development agreement. Management is hopeful of announcing new acquisitions in 2QFY24.
- **Elysian, Goregaon:** Increased prices since Oct'22 along with sales at higher floors resulted in a sharp rise in price realization (21% YoY). Inventory at lower floors is almost exhausted and company will launch a new tower in FY24.

Valuation and View

- The company remains on track for a healthy launch pipeline in 2HFY24, and hence, we retain our FY24E/FY25E pre-sales. The company remains hopeful of closing a few land deals in the coming quarter, which is expected to drive up pre-sales growth.
- At CMP, the stock trades at 30% premium to its total NAV and 60% premium to its residential NAV, indicating near-term growth from upcoming new launches as well as new potential land acquisitions. We revise our TP to INR1,200 (vs. INR1,140 earlier), due to lower WACC assumptions, indicating a 9% upside potential. **We downgrade the stock to 'NEUTRAL' from 'BUY'.**

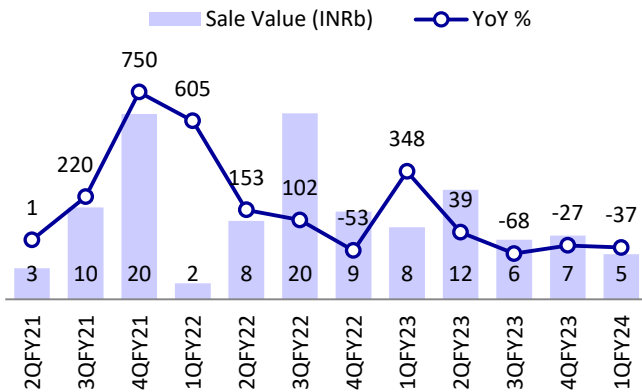
Financial and Operational Summary (INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	9,131	6,886	16,295	9,614	9,100	10,032	11,777	14,737	41,926	45,646	9,617	-5
YoY Change (%)	221.2	-8.7	95.8	16.8	-0.3	45.7	-27.7	53.3	55.6	8.9	5.3	
Total Expenditure	4,209	3,782	6,891	5,927	4,362	5,622	6,556	8,718	20,808	25,259	5,373	
EBITDA	4,922	3,104	9,404	3,687	4,737	4,409	5,221	6,019	21,117	20,387	4,245	12
Margins (%)	53.9	45.1	57.7	38.3	52.1	44.0	44.3	40.8	50.4	44.7	44.1	1357bp
Depreciation	98	101	102	97	113	110	120	117	398	460	100	
Interest	326	363	381	621	615	517	442	493	1,691	2,066	592	
Other Income	217	232	220	337	236	260	260	294	1,006	1,050	260	
PBT before EO expense	4,715	2,873	9,141	3,306	4,245	4,043	4,920	5,703	20,036	18,910	3,813	
PBT	4,715	2,873	9,141	3,306	4,245	4,043	4,920	5,703	20,036	18,910	3,813	11
Tax	1,137	692	2,260	-896	1,046	1,031	1,255	1,491	3,193	4,822	972	
Rate (%)	24.1	24.1	24.7	(27)	24.6	25.5	25.5	26	15.9	25.5	25.5	
MI & Profit/Loss of Asso. Cos.	453	1,006	144	601	17	0	0	0	2,204	17	0	
Reported PAT	4,031	3,186	7,026	4,803	3,216	3,012	3,665	4,212	19,046	14,105	2,841	
Adj PAT	4,031	3,186	7,026	4,803	3,216	3,012	3,665	4,212	19,046	14,105	2,841	13
YoY Change (%)	400.0	19.5	50.3	106.7	-20.2	-5.5	-47.8	-12.3	81.9	-25.9	-29.5	
Margins (%)	44.1	46.3	43.1	50.0	35.3	30.0	31.1	28.6	45.4	30.9	29.5	
Operational metrics												
Residential												
Sale Volume (msf)	0.25	0.37	0.22	0.16	0.15	0.24	0.71	0.59	0.8	1.7	0.3	-49
Sale Value (INRm)	7,611	11,557	6,307	6,732	4,760	8,105	22,359	20,673	32,203	55,897	7,826	-39
Collections (INRm)	5,574	8,780	4,277	8,537	11,091	11,332	10,879	12,027	27,167	45,328	9,972	11
Realization (INR/sft)	30,797	31,234	28,465	41,196	32,630	34,357	31,311	35,282	41,097	33,236	27,135	20
Leasing												
Occupancy (%)	80.7	81.1	80.8	83.0	80.8	88.4	91.8	95.3	82.8	95.3	84.1	-4
Rental income (excl. CAM)	726	711	737	735	726	774	817	1,073	2,909	3,390	734	-1
EBITDA (excl. CAM)	671	667	691	665	679	735	776	944	2,764	3,134	661	3
Hospitality												
Occupancy (%)	91.3	82.7	80.0	84.0	82.0	78.0	80.0	82.0	85	80		
ARR (INR)	9,116	9,546	12,344	13,723	11,602	10,692	13,825	15,942	11,182	12,859		
Revenue	348	341	419	461	394	374	496	586	1,709	1,849		
EBITDA	136	111	158	208	145	135	178	208	615	666		

Source: Company, MOFSL

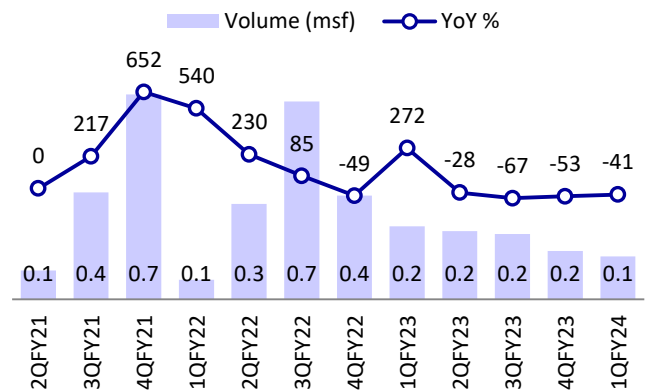
Key exhibits

Exhibit 1: Pre-sales declined 37% YoY to INR5b...



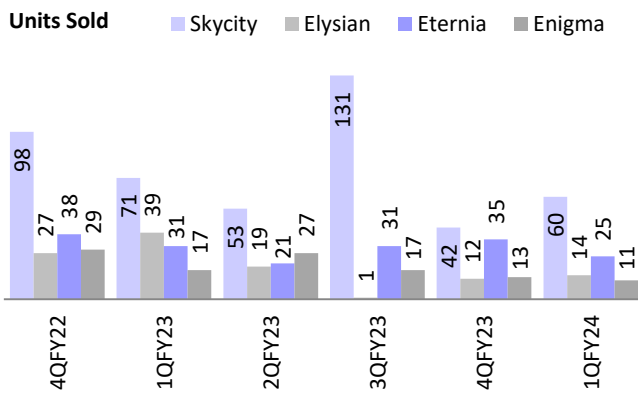
Source: Company, MOFSL

Exhibit 2: ...while volumes declined 41% YoY



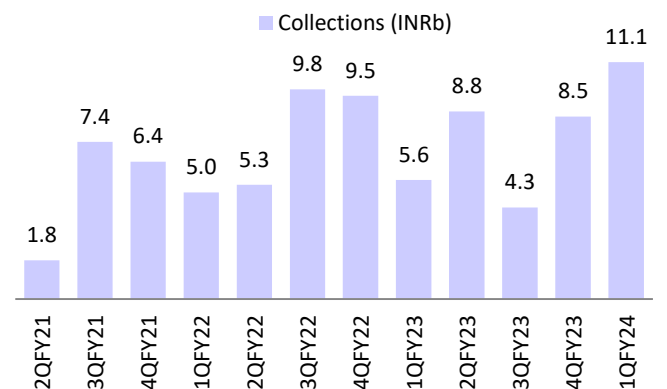
Source: Company, MOFSL

Exhibit 3: Sales velocity across projects remained muted



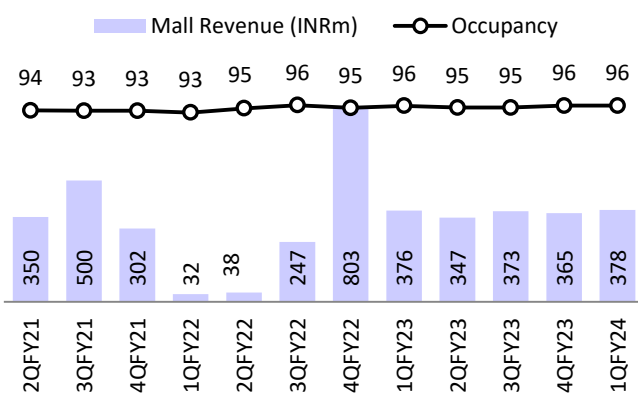
Source: MOFSL, Company

Exhibit 4: Collections improved 2x YoY to INR11b



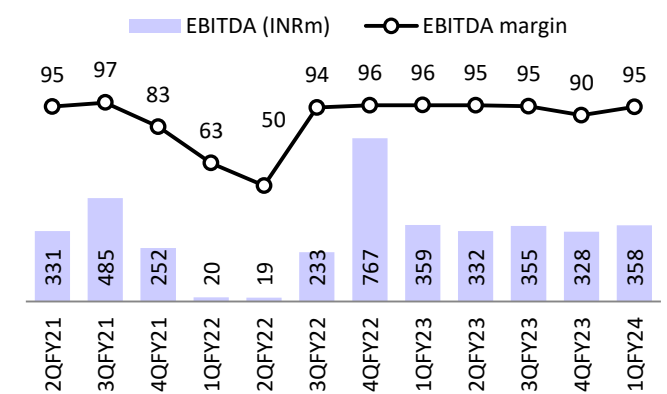
Source: MOFSL, Company

Exhibit 5: Mall revenue in 1QFY24 stood at INR378m



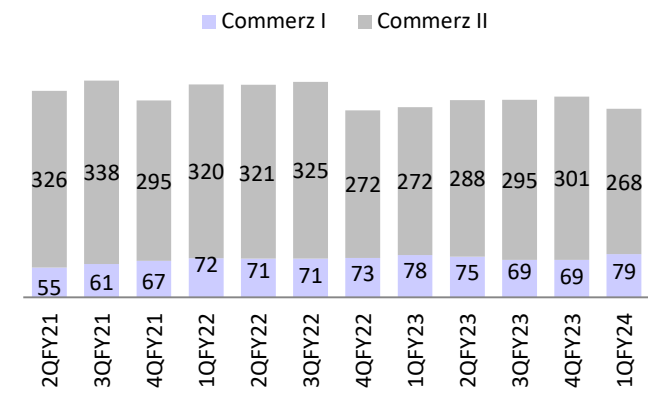
Source: Company, MOFSL

Exhibit 6: EBITDA stood at INR358m, with steady margins



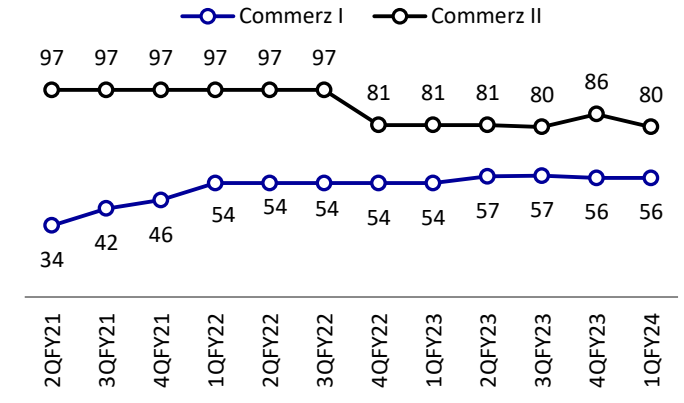
Source: Company, MOFSL

Exhibit 7: Revenue from office assets decreased 6% QoQ....



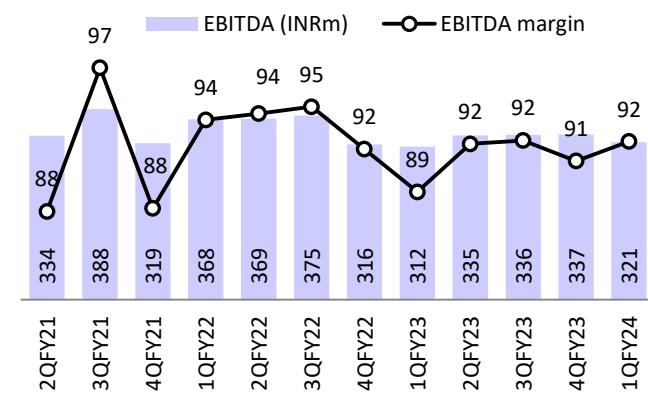
Source: MOFSL, Company

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



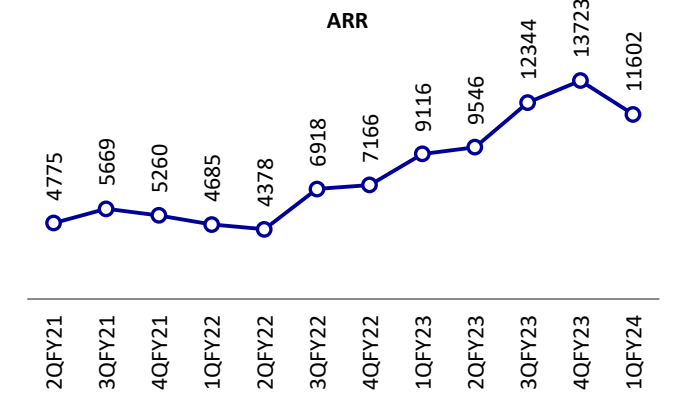
Source: MOFSL, Company

Exhibit 9: EBITDA stood at INR321m, with a stable margin of 92%



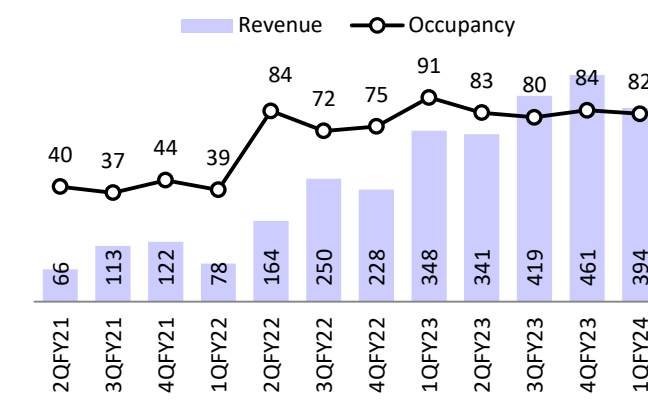
Source: MOFSL, Company

Exhibit 10: Hotel segment witnessing a cool off in ARR



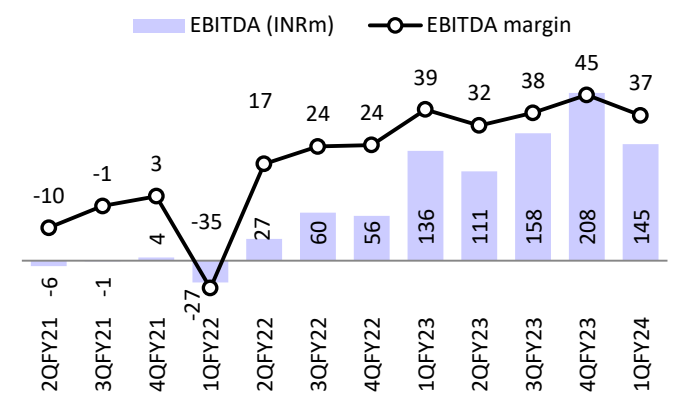
Source: MOFSL, Company

Exhibit 11: Hotel revenue declined QoQ on the back of a drop in ARR and occupancy



Source: MOFSL, Company

Exhibit 12: The segment's EBITDA stood at INR145m



Source: MOFSL, Company

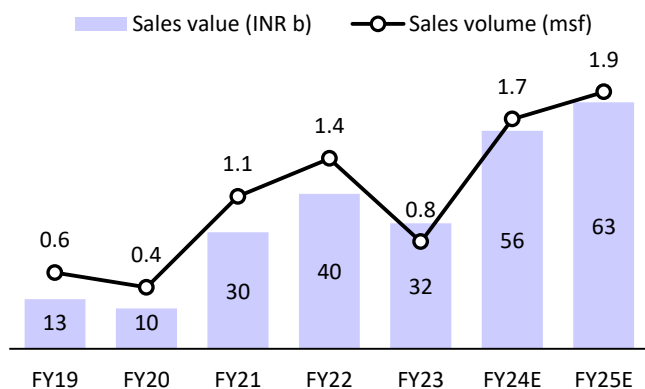
Story in charts

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 FY24.
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 4QFY24.
Total	16	

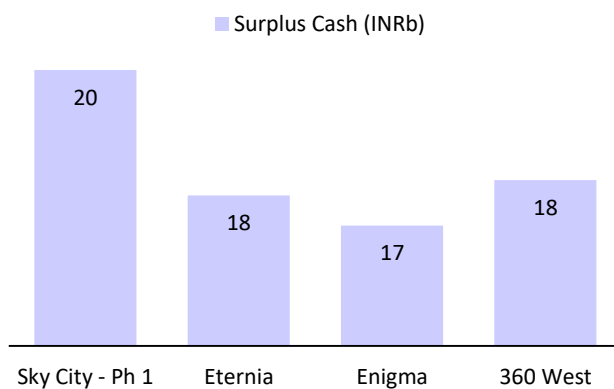
Source: MOFSL, Company

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



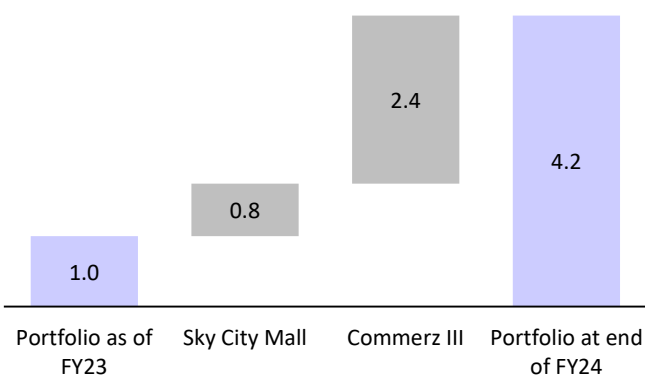
Source: Company, MOFSL

Exhibit 15: Completed projects can generate INR75b of surplus cash



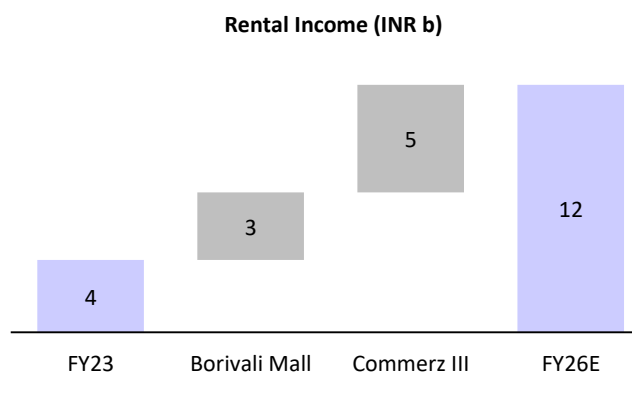
Source: Company, MOFSL

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



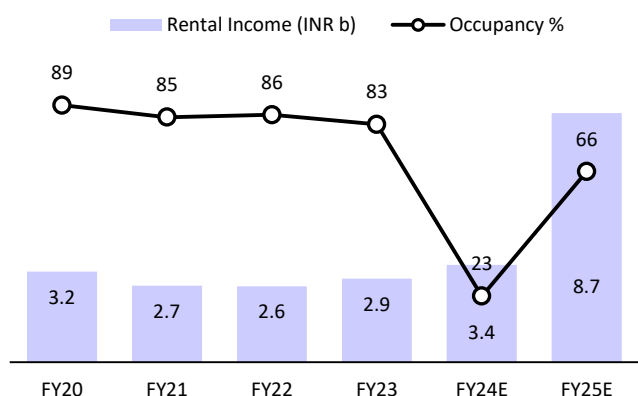
Source: Company, MOFSL

Exhibit 17:and generate INR12b income by FY26



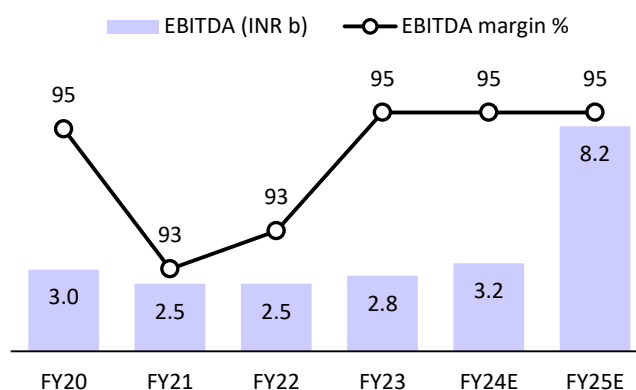
Source: Company, MOFSL

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



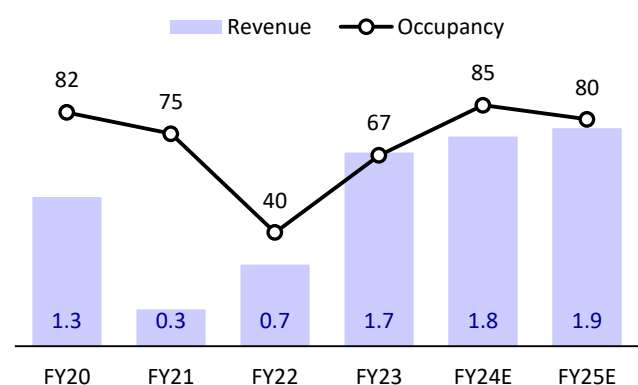
Source: MOFSL, Company

Exhibit 19: EBITDA margin to recover to 95%+



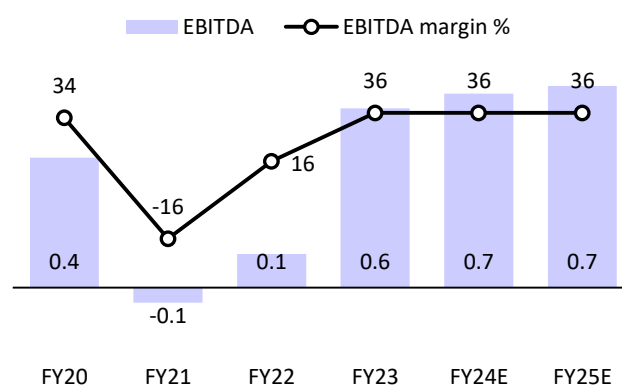
Source: MOFSL, Company

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



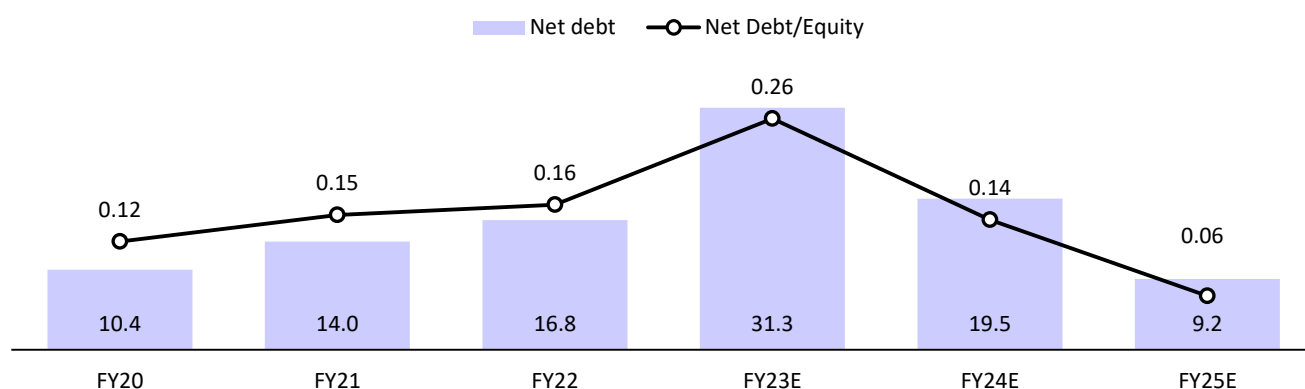
Source: Company, MOFSL

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	45,646	55,624	45,646	55,624	0%	0%
EBITDA	20,387	27,349	20,387	27,349	0%	0%
Adj. PAT	14,088	18,716	14,088	18,716	0%	0%
Pre-sales	55,897	63,220	55,897	63,220	0%	0%
Collections	45,733	58,628	45,733	58,628	0%	0%

Source: MOFSL, Company

Con-call highlights**Mulund Projects:**

- Now that the project is fully complete, the sales traction should improve in 1 or 2 quarters. Similar to the company's completed project in Goregaon, Esquire, which experienced a surge in velocity after completion, the Mulund projects are expected to follow a similar trajectory aided by strong demand for RTM inventory

Borivali Mall:

- The entire civil work at the Borivali mall is now complete and the common area fit-out is currently under execution. Tenat fit-out will commence by Feb'24 and the mall will commence operation by FY25 festive season.

Commerz III:

- The company received part OC in Comm 3 and handed over the area for fit-outs to anchor tenant (Morgan Stanley).
- Hence, as per accounting rules, the revenue recognition has commenced to the tune of INR500m/quarter and this will continue from here on.

South Mumbai projects

- Peddar road – it is a redevelopment project and negotiations are pending with final 1 or 2 tenants. The company will declare the launch plans soon.
- Tardeo – Done with rehab building and will be handed over in CY24, post which work on for-sale area will commence.

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 11.5% 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 INR456b. Netting off an estimated net debt of INR20b for FY24, we derive at an NAV of INR436b, or INR1200/share, indicating an upside potential of 8%.

Exhibit 24: Based on our SoTP approach, we arrive at a NAV of INR436b, or INR1,200 per share, indicating an upside potential of 8%

NAV calculation	Rationale	INR b	Per share (INR)	(%)
Residential	❖ DCF of five years' cash flow at WACC of 11.5% and terminal value assuming 3% long-term growth	323	887	74
Leasing – Offices and Malls	❖ Cap rate of 8.5% for operational assets and DCF for ongoing and planned assets	120	330	27
Hospitality	❖ FY24E EBITDA at 17.5x EV/EBITDA	14	37	3
Gross Asset Value	❖	456	1254	104
Less: Net Debt	❖ FY24E estimate	(20)	(54)	(4)
Net Asset Value		436	1200	100
CMP			1108	
Up/down (%)			8	

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	45,646	55,624
Change (%)	104.1	-13.4	-8.3	31.2	55.6	8.9	21.9
Total Expenditure	14,271	11,897	10,522	15,126	20,808	25,259	28,276
As a percentage of Sales	55.3	53.2	51.3	56.1	49.6	55.3	50.8
EBITDA	11,554	10,480	10,004	11,813	21,117	20,387	27,349
Margin (%)	44.7	46.8	48.7	43.9	50.4	44.7	49.2
Depreciation	440	449	412	398	398	460	1,817
EBIT	11,113	10,031	9,592	11,416	20,720	19,927	25,532
Int. and Finance Charges	194	885	760	860	1,691	2,066	1,466
Other Income	856	484	380	585	1,006	1,050	1,057
PBT bef. EO Exp.	11,776	9,630	9,212	11,140	20,036	18,910	25,123
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	11,776	9,630	9,212	11,140	20,036	18,910	25,123
Total Tax	3,607	2,796	1,851	3,065	3,193	4,822	6,406
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	14,088	18,716
Adjusted PAT	8,169	6,893	7,393	10,471	19,046	14,088	18,716
Change (%)	78.1	-15.6	7.2	41.6	81.9	-26.0	32.9
Margin (%)	31.6	30.8	36.0	38.9	45.4	30.9	33.6

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	1,31,826	1,49,815
Net Worth	80,292	86,295	93,691	1,04,161	1,22,101	1,35,462	1,53,451
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	1,65,058	1,73,047
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	4,026	5,843
Net Fixed Assets	10,616	10,465	10,136	9,796	9,488	56,528	54,712
Goodwill on Consolidation	0	0	0	0	0	0	0
Capital WIP	1,261	3,055	19,799	32,975	40,312	4,378	14,137
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	1,20,823	1,18,648
Inventory	41,655	53,173	46,626	50,361	85,431	84,998	84,124
Account Receivables	1,094	1,153	1,280	1,246	10,983	1,251	1,524
Cash and Bank Balance	4,253	1,083	1,331	2,932	5,129	4,904	5,281
Loans and Advances	22,981	19,223	25,168	32,802	28,040	29,670	27,718
Curr. Liability and Prov.	22,325	14,196	11,158	23,942	24,713	23,698	21,477
Account Payables	2,323	859	938	4,247	2,423	1,730	1,937
Other Current Liabilities	19,974	13,294	10,194	19,108	21,817	21,910	19,469
Provisions	28	43	26	587	474	59	71
Net Current Assets	47,658	60,436	63,247	63,398	1,04,870	97,124	97,171
Appl. of Funds	88,912	98,018	1,09,378	1,32,964	1,61,697	1,65,058	1,73,047

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	38.7	51.5
Cash EPS	23.7	20.2	21.5	29.9	53.5	40.0	56.5
BV/Share	220.8	237.3	257.7	286.5	335.8	372.6	422.0
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	5.2	3.9
Valuation (x)							
P/E	42.6	50.5	47.1	33.3	21.2	28.6	21.5
Cash P/E	40.5	47.4	44.6	32.0	20.7	27.7	19.6
P/BV	4.3	4.0	3.7	3.3	3.3	3.0	2.6
EV/Sales	13.6	16.0	17.7	13.9	10.4	9.4	7.5
EV/EBITDA	30.5	34.2	36.2	31.7	20.7	21.0	15.2
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	35.0	36.6
Return Ratios (%)							
RoE	11.6	8.3	8.2	10.6	16.8	10.9	13.0
RoCE	10.0	8.0	7.7	7.2	12.4	9.6	11.7
RoIC	14.8	11.5	10.8	11.6	19.4	11.5	12.9
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

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	11,776	9,689	9,244	13,536	22,240	18,910	25,123
Depreciation	440	449	412	398	398	460	1,817
Interest and Finance Charges	-251	885	760	860	1,691	2,066	1,466
Direct Taxes Paid	-3,243	-2,221	-2,031	-2,911	-4,779	-4,822	-6,406
(Inc.)/Dec. in WC	-6,997	-11,205	-998	1,765	-40,226	7,521	330
CF from Operations	1,725	-2,404	7,387	13,648	-20,678	24,136	22,329
Others	-269	-416	-362	-2,961	-3,154	-1,050	-1,057
CF from Operations incl. EO	1,456	-2,820	7,025	10,687	-23,831	23,086	21,272
(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	12,725	13,319
(Pur.)/Sale of Investments	0	5,863	39	171	342	0	0
Others	-5,053	-857	6,687	-829	24,616	1,050	1,057
CF from Investments	-6,760	2,745	-6,515	-13,900	18,941	-9,311	-6,896
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	-225	377
Opening Balance	1,167	4,253	1,985	1,331	2,932	5,129	4,904
Closing Balance	4,253	1,083	1,331	9,541	5,129	4,904	5,281

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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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