

Real Estate | Q3FY23 Result Update

Strong launch pipeline ahead. BD activity set to accelerate.

- All round contribution to P&L from different segments translated into a ROE of 25% /19% (annualized) for the Q / 9MFY23 respectively; reflecting the true underlying profitability of Oberoi's operating assets. The higher revenues recognition in the residential segment (Mulund projects) aided the ROE print. Notably residential EBITDA margin came-in at 56.4%.
- Presales (ex-360 west) increased 15% QoQ aided by new tower launch in Borivali. The management remains confident of launching Thane (Kolshet) by mid- March and Pokhran in 1QFY24.
- The developer plans on accelerating BD activity with proceeds from late cycle projects (Mulund / 360 west). We estimate net proceeds from these projects at ~Rs80bn. In this regard, the developer acquired 8.5 acre land parcel in Pokhran (Thane) for Rs1.9bn consolidating its existing land bank in Thane. Also, the management confirmed signing a MOU for acquiring a land parcel in Gurgaon.
- We raise our TP to Rs1,250 as we incorporate new Thane land acquisition and higher cashflow contribution from 360 west in our estimates. Reiterate buy – 1) deep micro market strategy (tapping across price points) in Thane likely to aid market share gains, 2) business development activity garnering traction with scope for +ve surprise and 3) limited drag on FCF from slow moving projects.

Development business – mixed bag

Borivali accounted for 73% of the overall presales during the Q aided by a new tower launch in the micro market. Mulund retained its quarterly runrate of 0.1msf. The management attributed the weak performance in Goregaon to lack of availability of large size units. Notably the developer has already started constructing 2 new towers (4 levels completed) in Goregaon that are yet to be launched. We believe the strategy of partial completion before launch will aid cashflows, revenues recognition and ROE.

Commercial business – stable performance

Oberoi Mall occupancy inched up 1ppt QoQ driving 7.5% QoQ increase in revenues with EBITDA margin stable at 95%. Notably the tenant pipeline for upcoming Borivali mall remains strong and can potentially see rents outdoing Oberoi mall (Goregaon), in our view. Office operations posted stable occupancies and profitability QoQ.

Hospitality segment – a strong show

RevPAR increased 26% QoQ and occupancy at 80% driving revenue growth of 23% QoQ. EBITDA margin increased 6ppt QoQ to 38%.

Q3FY23 Result (Rs Mn)

Particulars	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)
Presales (Rs Mn)	6,307	19,652	(67.9)	11,557	(45.4)
Collections (Rs Mn)	4,277	9,815	(56.4)	8,661	(50.6)
OCF (Rs Mn)	(1,634)	1,902	(185.9)	(1,634)	0.0
FCFE (Rs Mn)	(6,910)	(9,863)	(29.9)	(9,304)	(25.7)
Net Debt (Rs Mn)	24,370	16,565	47.1	19,839	22.8
ND / E (%)	20.8	16.3	27.7	18.0	15.5

CMP	Rs 845
Target / Upside	Rs 1,250 / 48%
NIFTY	17,894

Scrip Details

Equity / FV	Rs 3,636mn / Rs 10		
Market Cap	Rs 307bn		
	USD 3.7bn		
52-week High/Low	Rs 1,089/ 726		
Avg. Volume (no)	5,63,463		
Bloom Code	OBER IN		
Price Performance	1M	3M	12M
Absolute (%)	(2)	(7)	(10)
Rel to NIFTY (%)	(1)	(6)	(12)

Shareholding Pattern

	Jun'22	Sep'22	Dec'22
Promoters	67.7	67.7	67.7
MF/Banks/FIs	8.8	11.8	11.8
FIs	19.4	18.0	18.0
Public / Others	4.1	2.5	2.5

Valuation (x)

	FY23E	FY24E	FY25E
P/E	17.5	17.6	15.2
EV/EBITDA	14.2	12.2	9.5
ROE (%)	15.6	13.5	13.7
RoACE (%)	12.4	12.6	13.1

Estimates (Rs bn)

	FY23E	FY24E	FY25E
Revenue	43.5	48.3	50.5
EBITDA	22.5	25.0	28.0
PAT	17.6	17.4	20.2
EPS (Rs.)	48.3	48.0	55.7

VP - Research: Rahul Jain, CFA
Tel: +9122 40969795
E-mail: jrahul@dolatcapital.com

Associate: Jay Shah
Tel: +91 22 4096 9722
E-mail: jays@dolatcapital.com

Exhibit 1: Oberoi – Profit and loss summary

In Rs mn	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	QoQ(%)	YoY(%)
Revenue	7,543	8,320	8,235	9,131	6,886	16,295	136.6	95.8
EBITDA	3,731	3,316	3,518	4,922	3,104	9,404	202.9	183.6
EBITDA margin (%)	49.5	39.9	42.7	53.9	45.1	57.7		
PAT	2,666	4,675	2,324	4,031	3,186	7,025	120.5	50.3
PAT margin (%)	35.3	56.2	28.2	44.1	46.3	43.1		

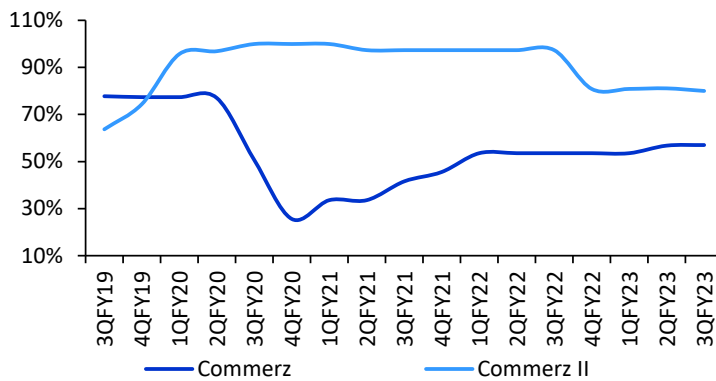
Source: Company, DART

Exhibit 2: Oberoi – quarterly financial summary

in Rs mn	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	QoQ %	YoY %
Total Pre-sales	8,287	19,652	9,128	7,611	11,557	6,307	(45)	(68)
o/w 360 West	(386)	-	(481)	-	6,096	-		
Pre-sales (ex- 360 West)	8,672	19,652	9,608	7,611	5,461	6,307	15	(68)
Units sold in 360 West	(1)	-	(1)	-	8	-		
Total Collections	5,346	9,815	9,300	5,574	8,661	4,277	(51)	(56)
o/w 360 West	196	1,077	329	87	4,048	-		
Other projects	5,150	8,738	8,971	5,487	4,613	4,277	(7)	(51)
FCF (OCF - Investing cashflows)	(7,584)	(9,863)	(9,863)	(7,643)	(9,304)	(6,910)	NA	NA
Occupancies in Rental Assets (%)								
Commerz 1	53.5	53.5	53.5	53.5	56.8	57.0	0	6
Commerz 2	97.4	97.4	80.9	80.9	81.1	80.0	(1)	(18)
Oberoi Mall	94.6	96.2	95.0	96.0	96.0	97.0	1	1
Segmental EBITDA margin	49	40	43	54	45	58	12.6	17.9
Residential	47	35	34	51	39	56	17.2	21.6
Rental	93	96	95	95	95	95	0.5	-0.2
Hospitality	16	24	24	39	33	38	5.1	13.8

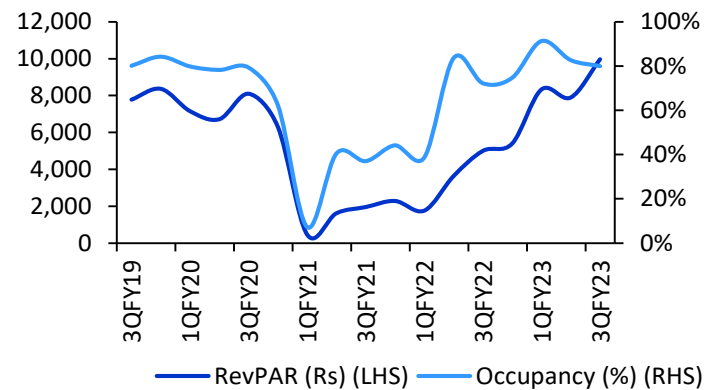
Source: Company, DART

Exhibit 3: Oberoi - Office asset occupancies (in %) stable



Source: Company, DART

Exhibit 4: Oberoi - Hospitality portfolio operating metrics reverting to peak levels



Source: Company, DART

Exhibit 5: Oberoi - key financials and operating metrics

Rs mn, Fiscal-end March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Sales	17,517	12,575	32,802	38,766	40,959	61,028	69,506
Sales growth (%)	33.7	(28.2)	160.9	18.2	5.7	49.0	13.9
Trailing 3Y moving average	15,284	14,397	20,965	28,048	37,509	46,917	57,164
OCF after tax before NWC	8,453	8,385	7,959	8,923	18,761	19,119	21,166
NWC changes	(6,997)	(11,204)	(999)	1,765	41	-291	19,069
OCF (before int paid)	1,456	(2,820)	6,960	10,687	18,802	18,827	40,235
Net interest paid	(1,183)	(1,554)	(1,421)	(1,565)	(1,474)	(1,285)	(519)
Investments	(1,706)	(2,257)	(13,238)	(12,062)	(20,447)	(155)	(243)
FCFE	(1,434)	(6,630)	(7,698)	(2,939)	(3,119)	17,388	39,474
Net Worth	80,292	86,295	93,691	1,04,161	1,21,008	1,37,716	1,56,874
Net Debt	11,543	13,204	13,467	18,474	22,320	5,659	(32,724)
ND / Equity (%)	14.4	15.3	14.4	17.7	18.4	4.1	(20.9)
ROE (%)	11.6	8.3	8.2	10.6	15.6	13.5	13.7
Core ROE (estimated) (%)	12.0	9.2	9.0	12.0	17.1	14.2	16.9

Source: Company, DART

Valuation methodology

We apply a blended approach for arriving at Oberoi's SOTP based Mar '24 TP of Rs1,250.

For the Residential / Development business we use an average of valuation determined by NAV premium approach and multiple (EV / EBITDA) based approach. We ascribe a NAV premium on development business of 20% basis 2msf of annual execution run-rate starting FY28 in MMR (ex-Thane). For EV / EBITDA, we apply a 15x multiple on FY25E (3yr moving average) presales and normalized EBITDA margin of 45% basis product profiling

Exhibit 6: Oberoi - Target NAV summary

(in Rs mn)	EV / EVITDA	NAV premium	Blended average
Development business	3,66,566	2,23,820	2,95,193
Annuity (Retail + Office)	1,40,954	1,40,954	1,40,954
Hospitality	20,984	20,984	20,984
Others	7,061	7,061	7,061
Total GAV	5,35,564	3,92,818	4,64,191
Net Debt	5,659	5,659	5,659
NAV	5,29,905	3,87,159	4,58,532
NAV / share	1,457	1,065	1,261

Source: DART

Exhibit 7: Oberoi – SOTP summary break-up

Mar'23 SOTP	Value (in Rs mn)	Per share	% of GAV	Comments
Ongoing + Planned	93,756	258	26	
Ready Inventory & Receivables	27,290	75	8	
Land Bank	65,470	180	18	Unused Thane, Borivali, Goregaon, Bhandup
Annuity (Retail + Office)	1,40,954	388	40	at 8% cap rate on FY25E NOI
Hospitality	20,984	58	6	18x EV / EBITDA from first year of normalized earnings
Others	7,061	19	2	School, property mgmt
Total GAV	3,55,515	978		
Net Debt	5,659	16		
NAV	3,49,855	962		
Shares outstanding	364			
NAV / share	962			
Premium to Development business	20%			2msf of annual execution starting FY28 in MMR (ex-Thane)
Target NAV / share	1,065			

Source: DART

Financial Performance

Profit and Loss Account

(Rs Mn)	FY22A	FY23E	FY24E	FY25E
Revenue	26,940	43,550	48,341	50,532
Total Expense	15,126	21,012	23,348	22,543
COGS	13,496	18,965	20,217	19,721
Employees Cost	684	732	783	838
Other expenses	946	1,315	2,348	1,984
EBIDTA	11,813	22,538	24,993	27,988
Depreciation	398	398	398	398
EBIT	11,416	22,140	24,594	27,590
Interest	860	1,599	1,884	1,484
Other Income	585	811	599	965
Exc. / E.O. items	0	0	0	0
EBT	11,140	21,351	23,309	27,071
Tax	3,065	5,381	5,874	6,822
RPAT	10,471	17,574	17,435	20,249
Minority Interest	0	0	0	0
Profit/Loss share of associates	2,396	1,603	0	0
APAT	10,471	17,574	17,435	20,249

Balance Sheet

(Rs Mn)	FY22A	FY23E	FY24E	FY25E
Sources of Funds				
Equity Capital	3,636	3,636	3,636	3,636
Minority Interest	0	0	0	0
Reserves & Surplus	1,00,525	1,17,372	1,34,080	1,53,238
Net Worth	1,04,161	1,21,008	1,37,716	1,56,874
Total Debt	28,555	28,555	18,555	18,555
Net Deferred Tax Liability	247	247	247	247
Total Capital Employed	1,32,964	1,49,810	1,56,518	1,75,677

Applications of Funds

Net Block	9,798	9,399	9,001	8,603
CWIP	32,974	53,421	53,576	53,818
Investments	17,929	17,929	17,929	17,929
Current Assets, Loans & Advances	96,205	90,767	90,945	1,24,954
Inventories	50,361	50,438	50,869	53,141
Receivables	1,246	1,368	(2,475)	(8,352)
Cash and Bank Balances	10,081	6,235	12,896	51,278
Loans and Advances	4,658	4,658	4,658	4,658
Other Current Assets	20,994	19,203	16,132	15,365
Less: Current Liabilities & Provisions	23,942	21,706	14,932	29,627
Payables	4,247	2,520	1,620	1,782
Other Current Liabilities	19,695	19,186	13,313	27,845
<i>sub total</i>				
Net Current Assets	72,263	69,061	76,013	95,327
Total Assets	1,32,964	1,49,810	1,56,518	1,75,677

E – Estimates

Important Ratios

Particulars	FY22A	FY23E	FY24E	FY25E
(A) Margins (%)				
Gross Profit Margin	49.9	56.5	58.2	61.0
EBIDTA Margin	43.9	51.8	51.7	55.4
EBIT Margin	42.4	50.8	50.9	54.6
Tax rate	27.5	25.2	25.2	25.2
Net Profit Margin	38.9	40.4	36.1	40.1
(B) As Percentage of Net Sales (%)				
COGS	50.1	43.5	41.8	39.0
Employee	2.5	1.7	1.6	1.7
Other	3.5	3.0	4.9	3.9
(C) Measure of Financial Status				
Gross Debt / Equity	0.3	0.2	0.1	0.1
Interest Coverage	13.3	13.8	13.1	18.6
Inventory days	682	423	384	384
Debtors days	17	11	(19)	(60)
Average Cost of Debt	3.9	5.6	8.0	8.0
Payable days	58	21	12	13
Working Capital days	979	579	574	689
FA T/O	2.7	4.6	5.4	5.9
(D) Measures of Investment				
AEPS (Rs)	28.8	48.3	48.0	55.7
CEPS (Rs)	29.9	49.4	49.0	56.8
DPS (Rs)	1.5	2.0	2.0	3.0
Dividend Payout (%)	5.2	4.1	4.2	5.4
BVPS (Rs)	286.5	332.8	378.8	431.4
RoANW (%)	10.6	15.6	13.5	13.7
RoACE (%)	7.4	12.4	12.6	13.1
RoAIC (%)	9.9	16.6	17.1	20.6
(E) Valuation Ratios				
CMP (Rs)	845	845	845	845
P/E	29.3	17.5	17.6	15.2
Mcap (Rs Mn)	3,07,278	3,07,278	3,07,278	3,07,278
MCap/ Sales	11.4	7.1	6.4	6.1
EV	3,16,887	3,20,733	3,04,072	2,65,690
EV/Sales	11.8	7.4	6.3	5.3
EV/EBITDA	26.8	14.2	12.2	9.5
P/BV	3.0	2.5	2.2	2.0
Dividend Yield (%)	0.2	0.2	0.2	0.4
(F) Growth Rate (%)				
Revenue	31.2	61.7	11.0	4.5
EBITDA	18.1	90.8	10.9	12.0
EBIT	19.0	93.9	11.1	12.2
PBT	20.9	91.7	9.2	16.1
APAT	41.2	67.8	(0.8)	16.1
EPS	41.2	67.8	(0.8)	16.1

E – Estimates

Cash Flow

Particulars	FY22A	FY23E	FY24E	FY25E
Profit before tax	13,536	22,954	23,309	27,071
Depreciation & w.o.	398	398	398	398
Net Interest Exp	860	1,599	1,884	1,484
Direct taxes paid	2,911	5,381	5,874	6,822
Change in Working Capital	1,765	41	(291)	19,069
Non Cash	0	0	0	0
(A) CF from Operating Activities	10,687	18,802	18,827	40,235
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(12,063)	(20,447)	(155)	(243)
Free Cash Flow	0	0	0	0
(Inc.)/ Dec. in Investments	171	0	0	0
Other	(2,072)	0	0	0
(B) CF from Investing Activities	(13,900)	(19,636)	445	723
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	3,913	0	(10,000)	0
Interest exp net	(1,628)	(2,284)	(1,884)	(1,484)
Dividend Paid (Incl. Tax)	0	(727)	(727)	(1,091)
Other	(4,056)	0	0	0
(C) CF from Financing	11,422	(3,012)	(12,612)	(2,575)
Net Change in Cash	8,210	(3,846)	6,660	38,383
Opening Cash balances	1,871	10,081	6,235	12,896
Closing Cash balances	10,081	6,235	12,896	51,278

E – Estimates

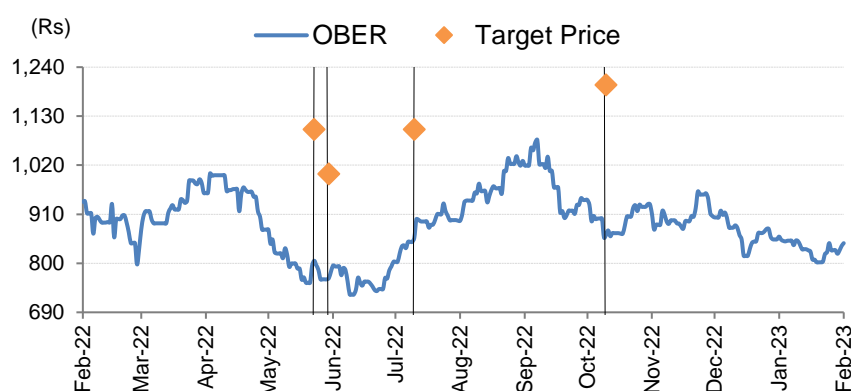
Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
May-22	BUY	1,100	806
Jun-22	BUY	1,000	767
Jul-22	Buy	1,100	857
Oct-22	Buy	1,200	864

**Price as on recommendation date*

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
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Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
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CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Jubbin Shah	VP - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Girish Raj Sankunny	VP - Equity Sales	girishr@dolatcapital.com	+9122 4096 9625
Anjana Jhaveri	VP - FII Sales	anjanaj@dolatcapital.com	+9122 4096 9758
Pratik Shroff	AVP - Equity Sales	pratiks@dolatcapital.com	+9122 4096 9621
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Naman Midtown, A-1203, 12th Floor, Senapati Bapat Marg, Prabhadevi, Mumbai 400013

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SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000000685

Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
