

Oberoi Realty

BSE SENSEX	S&P CNX
38,964	11,588
Bloomberg	OBER IN
Equity Shares (m)	364
M.Cap.(INRb)/(USDb)	186.4 / 2.6
52-Week Range (INR)	642 / 375
1, 6, 12 Rel. Per (%)	-6/-5/21
12M Avg Val (INR M)	270
Free float (%)	32.3

Financials & Valuations (INR b)

INR b	FY19	FY20E	FY21E
Sales	25.8	22.0	29.7
EBITDA	11.6	9.1	13.0
NP	8.2	8.9	9.3
EPS (Rs)	22.5	24.3	25.7
EPS Growth (%)	78.1	8.4	5.4
BV/Share (Rs)	220.8	243.1	266.0
P/E (x)	22.8	21.1	20.0
P/BV (x)	2.3	2.1	1.9
EV/EBITDA (x)	15.4	20.4	14.3
EV/Sales (x)	6.9	8.4	6.2
RoE (%)	11.6	10.5	10.1
RoCE (%)	10.4	7.1	8.9

Estimate change	↓
TP change	↔
Rating change	↔

CMP: INR513
TP: INR630(+23%)
Buy

Weak operational performance; new launches to drive growth in 2HFY20

Presales volume declines 42% YoY: 2QFY20 sales volumes/value declined 42%/43% YoY to 0.14msf/INR3.2b. Overall collections grew 23% YoY to INR6.9b. Revenue declined 17% YoY to INR4.9b (v/s est. INR5.6b). EBITDA margins contracted 665bp to 43.3% (v/s est. 40.9%).

1HFY20 performance: Sales volume/value declined 28%/39% YoY to 0.38msf/INR7.2b. Revenues declined 26% YoY to INR10.9b; EBITDA margins reduced by 1,020bp to 40.9% and PAT declined 45% YoY.

Leasing business on a strong footing: For 2QFY20, leasing revenue increased 22% YoY to INR807m, driven primarily by increased occupancy of Commerz II Phase I (96.9% v/s 63.4% in 2QFY19). Construction of Commerz III (1.8msf), which is expected to be operationalized by Mar'22, has started. Construction at the Worli site is well on track – plans are afoot to build mall/offices/hotel of 0.8msf/ 0.9msf/0.15msf.

2QFY20 Earnings Call Highlights: (a) Thane project is expected to be launched in 4QFY20. Launch of Exquisite III is delayed mainly on account of the subdued demand environment and the same is expected to be launched in 4QFY20 or 1QFY21. (b) 360West – OBER sold more than four units in the quarter; its effect will be seen in the next quarter.

Valuation and view: 2QFY20 was operationally weak on account of the subdued economic environment; however, OBER's new launch pipeline in 2HFY20 provides comfort. We have cut our sales volume estimate for FY20/FY21E by 25%/16% to 1.2msf/1.6msf due to delayed launch of Exquisite III and the Thane project, which impacts our NAV calculation. However, anticipated tax benefit offsets the downside and we arrive at a TP of INR630. Maintain **Buy**.

Consolidated - Quarterly Earning Model

(INRm)

Y/E March	FY19				FY20E				FY19	FY20E	FY20E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	8,883	5,921	5,286	5,735	6,033	4,915	5,233	5,810	25,825	21,990	5,631	-13%
YoY Change (%)	240.7	95.1	48.4	66.2	-32.1	-17.0	-1.0	1.3	104.1	-14.8	(5)	
Total Expenditure	4,266	2,963	3,405	3,638	3,680	2,786	3,051	3,399	14,271	12,916	3,331	
EBITDA	4,617	2,958	1,881	2,097	2,352	2,129	2,182	2,411	11,554	9,074	2,300	-7%
Margins (%)	52.0	50.0	35.6	36.6	39.0	43.3	41.7	41.5	44.7	41.3	40.9	
Depreciation	106	110	114	110	111	113	117	120	440	461	126	
Interest	49	58	49	38	239	246	250	255	194	989	200	
Other Income	71	277	202	238	149	136	130	128	788	543	110	
PBT before EO expense	4,533	3,067	1,920	2,187	2,151	1,906	1,945	2,164	11,707	8,166	2,084	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	4,533	3,067	1,920	2,187	2,151	1,906	1,945	2,164	11,707	8,166	2,084	
Tax	1,450	940	573	644	643	540	486	537	3,607	2,206	525	
Rate (%)	32.0	30.7	29.8	29.4	29.9	28.3	25.0	24.8	30.8	27.0	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	-11	-12	-32	-14	-12	-15	-860	-2,003	-69	-2,890	-920	
Reported PAT	3,094	2,138	1,379	1,558	1,521	1,381	2,319	3,630	8,169	8,851	2,479	
Adj PAT	3,094	2,138	1,379	1,558	1,521	1,381	2,319	3,630	8,169	8,851	2,479	-44%
YoY Change (%)	238.6	105.0	14.8	9.0	-50.9	-35.4	68.1	133.1	78.1	8.3	16	
Margins (%)	34.8	36.1	26.1	27.2	25.2	28.1	44.3	62.5	31.6	40.2	44.0	

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Other takeaways

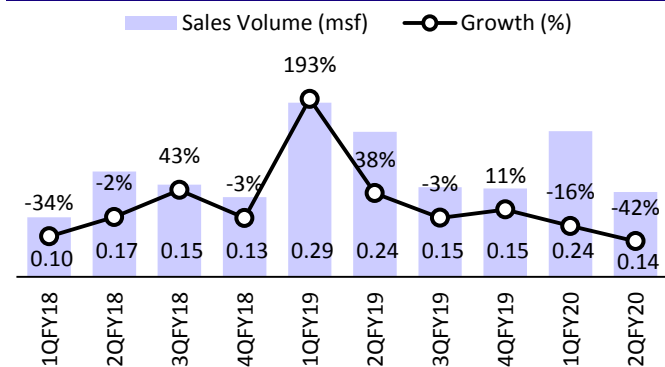
- Thane land acquisition was completed in 2QFY20. The deal was closed at INR150m/acre v/s the recent deal by Raymond, which was closed at INR350m/acre in the same micro market.
- 2QFY20 was a subdued quarter for residential real estate and management is confident of demand bouncing back in subsequent quarters.
- IT search – Company has complied with the requirements and they do not anticipate any material impact.
- Oberoi Maxima has seen a very good response.
- Continuation of Subvention scheme – Management mentioned that banks have continued with subvention schemes; however, they are selective of their customers.

Exhibit 1: Quarterly performance of OBER's residential project (1QFY20)

Residential Projects	Area Booked (sf)	Units Booked	Sales Value (INRm)	Amount Collected (INRm)	Revenue Recognized (INRm)
Esquire	18,772	8	414	526	465
Prisma	9,171	3	194	174	141
Eternia	18,470	11	236	328	497
Enigma	11,841	4	158	399	209
Sky City	45,073	28	725	1,919	2,202
Three Sixty West	36,127	4	1,502	3,609	-
Total	1,39,454	58	3,228	6,954	3,514

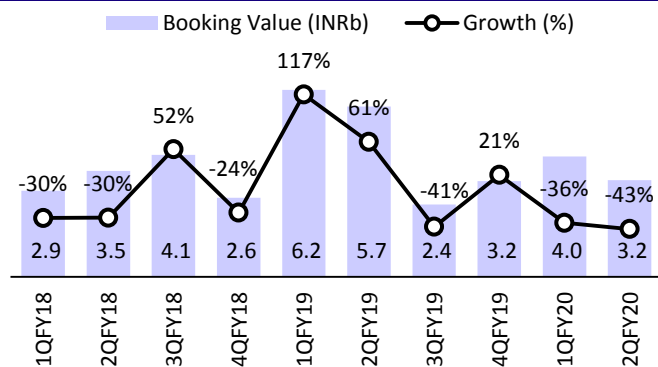
Source: MOFSL, Company

Exhibit 2: Weaker sales across projects drag volumes...

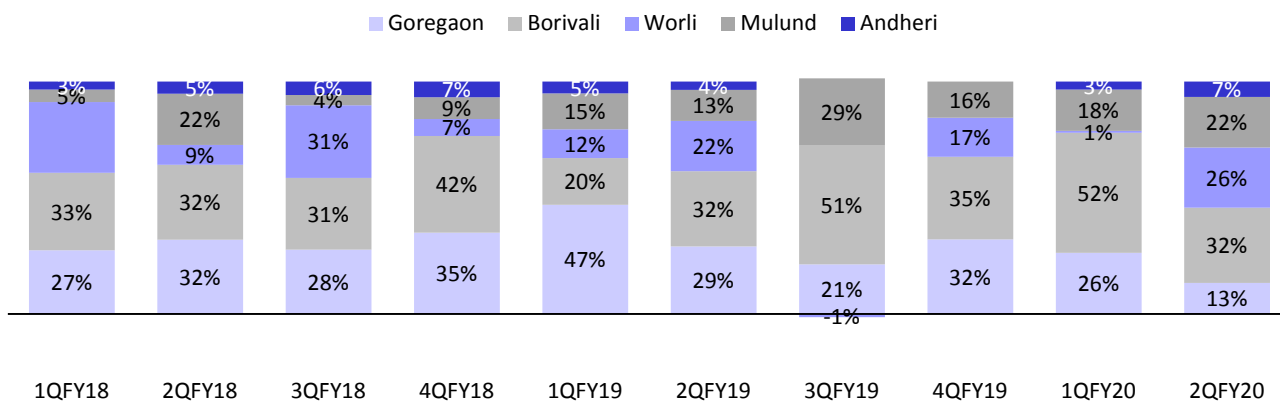


Source: MOFSL, Company

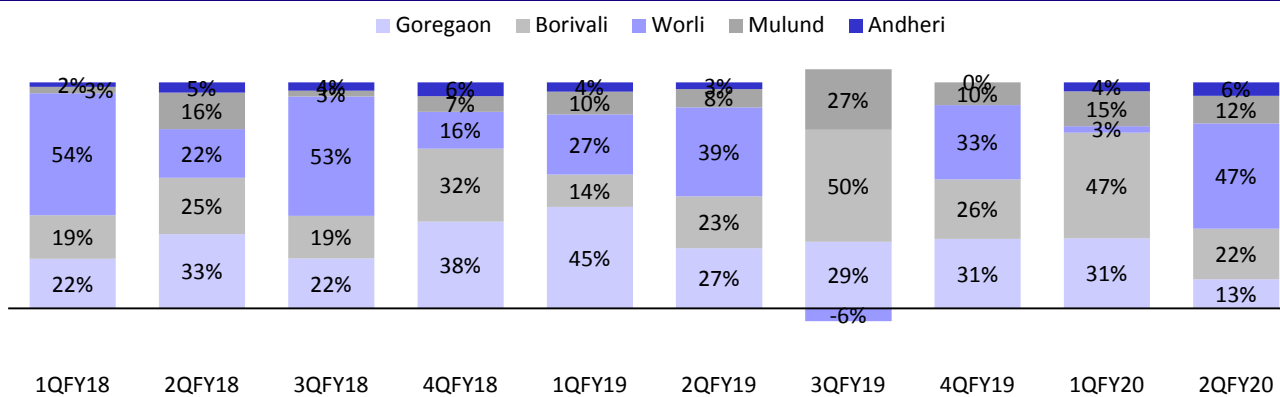
Exhibit 3: ...thus impacting booking value



Source: MOFSL, Company

Exhibit 4: 360 West and Borivali Sky City were the key contributors to pre-sales volume

Source: MOFSL, Company

Exhibit 5: 360 West and Borivali Sky City were the key contributors to booking value

Source: MOFSL, Company

Story in Charts

Exhibit 6: Revenue to grow at 7% CAGR over FY19-21E

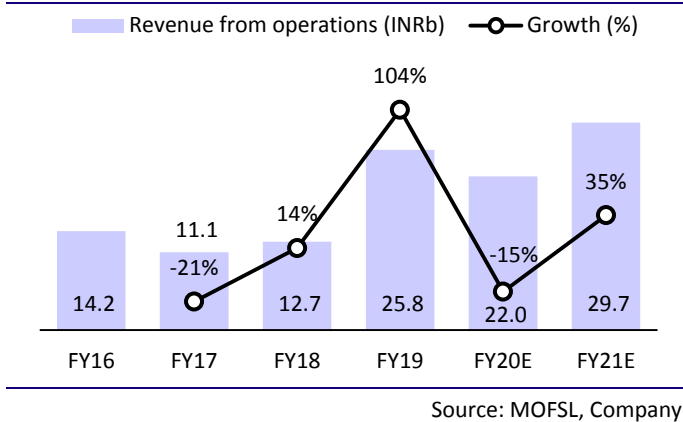


Exhibit 7: EBITDA margin trend

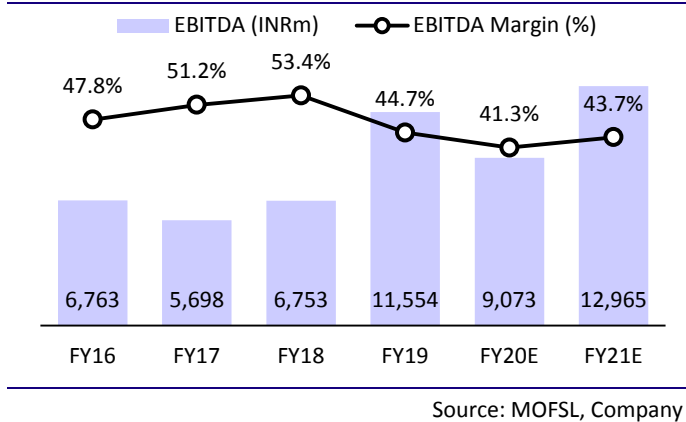


Exhibit 8: PAT to grow at 7% CAGR over FY19-21E

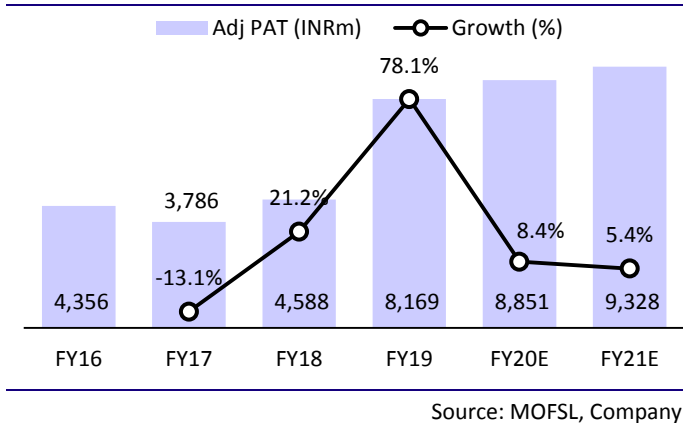


Exhibit 9: ROE trend

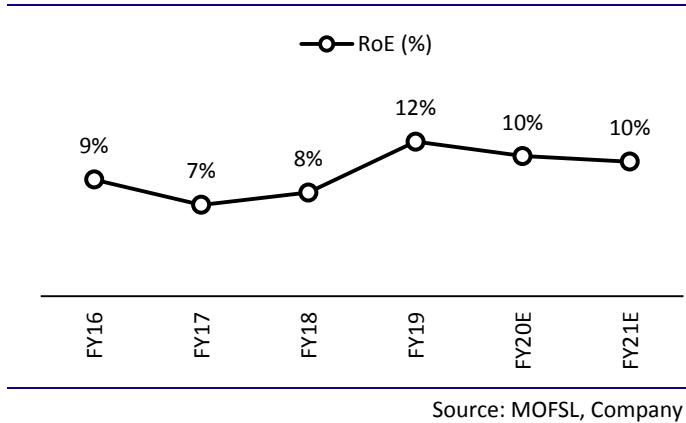
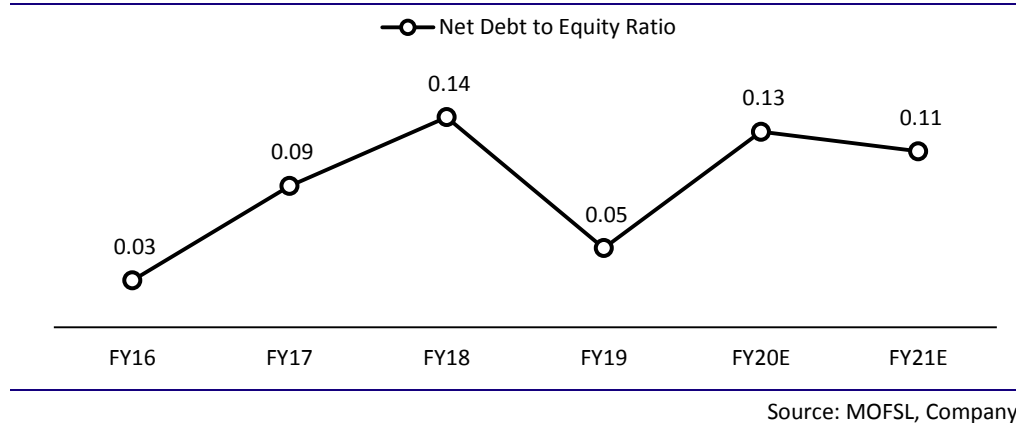


Exhibit 10: Low net debt to equity ratio



Financials and Valuations

Consolidated - Income Statement							(INR M)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Total Income from Operations	9,227	14,162	11,138	12,654	25,825	21,989	29,700
Change (%)	15.6	53.5	-21.4	13.6	104.1	-14.9	35.1
Total Expenditure	4,089	7,398	5,440	5,902	14,271	12,916	16,734
% of Sales	44.3	52.2	48.8	46.6	55.3	58.7	56.3
EBITDA	5,138	6,763	5,698	6,753	11,554	9,073	12,965
Margin (%)	55.7	47.8	51.2	53.4	44.7	41.3	43.7
Depreciation	403	490	495	491	440	460	531
EBIT	4,735	6,273	5,203	6,262	11,113	8,613	12,435
Int. and Finance Charges	18	68	56	69	194	989	1,135
Other Income	175	428	508	266	787	543	416
PBT bef. EO Exp.	4,892	6,632	5,654	6,459	11,707	8,167	11,716
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	4,892	6,632	5,654	6,459	11,707	8,167	11,716
Total Tax	1,721	2,293	1,869	1,907	3,607	2,205	3,163
Tax Rate (%)	35.2	34.6	33.0	29.5	30.8	27.0	27.0
Minority Interest/Profit from JV	0	-16	0	-36	-69	-2,889	-775
Reported PAT	3,171	4,356	3,786	4,588	8,169	8,851	9,328
Adjusted PAT	3,171	4,356	3,786	4,588	8,169	8,851	9,328
Change (%)	2.0	37.4	-13.1	21.2	78.1	8.4	5.4
Margin (%)	34.4	30.8	34.0	36.3	31.6	40.3	31.4

Consolidated - Balance Sheet							(INR M)
Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity Share Capital	3,282	3,393	3,395	3,396	3,636	3,636	3,636
Total Reserves	43,060	50,018	53,864	57,528	76,656	84,740	93,091
Net Worth	46,343	53,411	57,260	60,924	80,292	88,376	96,727
Minority Interest	0	0	0	0	0	0	0
Total Loans	9,016	4,734	8,687	9,445	8,361	12,361	12,861
Deferred Tax Liabilities	243	-1,030	-997	371	308	308	308
Capital Employed	55,601	57,116	64,949	70,739	88,961	1,01,045	1,09,896
Gross Block	11,743	10,252	10,417	11,233	12,515	13,015	13,515
Less: Accum. Deprn.	1,595	482	968	1,470	1,899	2,359	2,890
Net Fixed Assets	10,148	9,770	9,449	9,763	10,616	10,656	10,626
Goodwill on Consolidation	2,654	0	0	0	0	0	0
Capital WIP	218	488	1,095	1,126	1,261	13,624	22,887
Total Investments	0	14,511	18,243	24,200	29,378	16,378	9,378
Curr. Assets, Loans&Adv.	58,180	49,040	54,809	67,157	70,031	79,888	91,756
Inventory	34,818	33,393	37,664	42,467	41,655	57,101	65,188
Account Receivables	828	1,122	1,058	1,812	1,094	1,807	2,441
Cash and Bank Balance	2,937	3,119	3,458	1,167	4,253	1,190	1,853
Loans and Advances	19,598	11,406	12,630	21,711	23,029	19,790	22,275
Curr. Liability & Prov.	15,599	16,692	18,648	31,508	22,325	19,501	24,751
Account Payables	353	425	535	1,308	2,084	1,886	2,444
Other Current Liabilities	14,405	16,238	18,076	30,179	20,213	17,591	22,275
Provisions	841	29	37	21	28	24	32
Net Current Assets	42,582	32,348	36,161	35,649	47,707	60,387	67,005
Appl. of Funds	55,601	57,116	64,948	70,739	88,961	1,01,045	1,09,896

Financials and Valuations

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Basic (INR)							
EPS	8.7	12.0	10.4	12.6	22.5	24.3	25.7
Cash EPS	9.8	13.3	11.8	14.0	23.7	25.6	27.1
BV/Share	127.5	146.9	157.5	167.6	220.8	243.1	266.0
DPS	1.9	2.0	2.0	2.0	2.0	1.9	2.4
Payout (%)	24.9	18.8	21.6	17.8	10.0	8.7	10.5
Valuation (x)							
P/E	58.8	42.8	49.3	40.7	22.8	21.1	20.0
Cash P/E	52.2	38.5	43.6	36.7	21.7	20.0	18.9
P/BV	4.0	3.5	3.3	3.1	2.3	2.1	1.9
EV/Sales	19.5	12.4	16.1	14.4	6.9	8.4	6.2
EV/EBITDA	35.1	26.0	31.5	27.0	15.4	20.4	14.3
Dividend Yield (%)	0.4	0.4	0.4	0.4	0.4	0.4	0.5
FCF per share	-26.8	12.2	2.9	-8.2	-0.7	-55.5	-15.1
Return Ratios (%)							
RoE	7.0	8.7	6.8	7.8	11.6	10.5	10.1
RoCE	6.4	7.7	6.2	6.7	10.4	7.1	8.9
RoIC	7.0	9.0	8.6	10.2	15.6	10.1	12.5
Working Capital Ratios							
Fixed Asset Turnover (x)	0.8	1.4	1.1	1.1	2.1	1.7	2.2
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.3	0.2	0.3
Leverage Ratio (x)							
Net Debt/Equity	0.1	0.0	0.1	0.1	0.1	0.1	0.1

Consolidated - Cash Flow Statement

(INR M)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
OP/(Loss) before Tax	4,892	6,632	5,623	6,495	11,776	8,167	11,716
Depreciation	403	490	495	491	440	460	531
Interest & Finance Charges	787	332	-319	69	194	446	719
Direct Taxes Paid	-1,531	-2,115	-1,825	-2,108	-3,243	-2,205	-3,163
(Inc)/Dec in WC	-13,840	-659	-2,180	-6,753	-6,997	-15,743	-5,956
CF from Operations	-9,288	4,680	1,794	-1,807	2,170	-8,875	3,846
Others	-95	-149	-56	-215	-714	2,889	775
CF from Operating incl EO	-9,383	4,531	1,738	-2,022	1,456	-5,986	4,622
(Inc)/Dec in FA	293	-398	-763	-773	-1,706	-12,863	-9,763
Free Cash Flow	-9,090	4,133	976	-2,795	-251	-18,850	-5,141
(Pur)/Sale of Investments	45	140	82	-7,268	-1,682	13,000	7,000
Others	49	-2,048	-4,071	2,122	-3,069	543	416
CF from Investments	386	-2,307	-4,752	-5,919	-6,458	680	-2,347
Issue of Shares	1	3,258	60	17	11,827	0	0
Inc/(Dec) in Debt	8,255	-3,010	3,820	8,306	-1,103	4,000	500
Interest Paid	-552	-683	-527	-996	-1,516	-989	-1,135
Dividend Paid	-768	-1,607	0	-817	-819	-767	-977
Others	0	0	0	240	-62	0	0
CF from Fin. Activity	6,936	-2,042	3,353	6,750	8,327	2,243	-1,612
Inc/Dec of Cash	-2,061	182	339	-1,191	3,325	-3,063	663
Opening Balance	4,998	2,937	3,119	2,358	928	4,253	1,190
Closing Balance	2,937	3,119	3,458	1,168	4,253	1,190	1,853

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
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