

Q3 results: Mixed bag; outlook upbeat

21 January 2025

Oberoi Realty (OBER IN) reported presales of INR 19bn, up 33% QoQ and 144% YoY, missing our estimate of INR 31bn. This was partly led by lower-than-anticipated sales in 360 West that was impacted by deal closures slipping into Q4FY25. Also, sustenance sales in other projects was hit by a combination of price hikes and holding back of higher floor inventory (ex-Mulund). In Q4FY25, the only new launch that may come through is another tower in Borivali project (planned around the soft launch of the Borivali mall), in mid-February– early-March. We see the focus of the market moving to FY26, for which the outlook is upbeat – management is confident on activating at least four new markets, including Sector 58 (Gurugram), Adarsh Nagar (Worli), Tardeo and Peddar Road (Mumbai) amounting to a gross development value (GDV) of INR 240bn.

Office portfolio occupancies inched higher (up to 12ppt) QoQ and YoY while revenues at Westin rose 9% YoY and 23% QoQ. OCF for Q3 at INR 3.7bn (INR 19bn in 9MFY25), hit by investment in new business developments amounting to INR 4.5bn. Profitability remains industry-best with residential EBITDA margin at 56.4% in 9MFY25, driving an ROE print of +16% – Reiterate Buy.

Lost ground to be recouped in Q4: The miss in presales was attributable to: 1) deal closures in 360 West slipping into the March quarter, with only two smaller units sold in Q3 amounting to INR 1.5bn, following a strong show in H1FY25 (12 units sold for INR 11.4bn) and 2) lower sustenance sales (shortfall of INR 1bn each) in other markets on account of price hikes and holding back of higher floor inventory (ex-Mulund). Expect 360 West reverting to H1FY25 run rate and continuity of sales from release of higher floor inventory. Also, the launch possibility of a new tower in Borivali to aid presales.

Rental revenues up 15% QoQ: Average occupancy for the office portfolio inched higher, aided by a 12ppt QoQ increase in occupancy for Commerz III. Mall rental revenue increased 2% QoQ and up 12% YoY. Overall, annuity portfolio posted a revenue growth of 11% QoQ with EBITDA margin stable at 91%.

Hospitality revenue up 23% QoQ and 9% YoY: Lower average occupancy of 79% for the hospitality segment (versus 82% in Q3FY24 and 2QFY25) was offset by higher ARR (up 20% YoY and 30% QoQ), driving RevPAR increase of 24% QoQ and 16% YoY. EBITDA margin came in at 42% versus 37% / 42% in Q2FY25 / Q3FY24, respectively.

Reiterate Buy: We favour OBER given: 1) its prudent underwriting through cycles – land cost at <5% of GDV, 2) deep micro market presence – 25% / 15% / 10% volume market share at Goregaon / Borivali / Mulund micro markets, respectively through FY21-24 and 3) convergence to a multi-regional play with entry into Gurugram.

We reiterate Buy with an SoTP-based March '25E TP of INR 2,350. **Key downside risks** are delay in project launches and regulatory setback (refer our deep-dive report, [Low-risk compounder](#) dated 10 June 2024 and [Flexing its muscles; Reiterate Buy](#) dated 14 October 2024).

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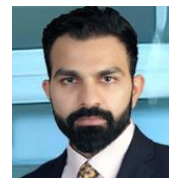


Exhibit 1: Quarterly summary

(INR mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	QoQ (%)	YoY (%)
Total pre-sales	7,869	17,644	10,670	14,425	19,183	33.0	143.8
o/w 360 West	788	2,231	4,753	6,626	1,517	(77.1)	92.6
Pre-sales (ex-360 West)	7,081	15,413	5,917	7,799	17,665	126.5	149.5
Units sold in 360 West	1	3	6	6	2		
Total collections	8,915	10,769	10,114	12,112	13,950	15.2	56.5
o/w 360 West	709	978	1,191	6,496	5,620		
Other projects	8,206	9,791	8,923	5,616	8,329	48.3	1.5
Occupancies in rental assets (%)							
Commerz 1	52	64	76	84	96	12.0	44.0
Commerz 2	87	93	93	93	97	4.0	10.0
Commerz 3			54	65	77	12.0	
Oberoi Mall	97	97	99	98	99	1.0	2.0
Segmental EBITDA margin (%)	48	60	58	62	61	(1.0)	12.3
Residential	41	56	55	58	57	(1.6)	15.2
Rental	96	98	92	92	92	(0.7)	(4.0)
Hospitality	42	43	40	36	42	6.4	0.9
<i>Net debt / equity</i>	16	9	5	2	1	(1.1)	(15.4)

Source: Company, Elara Securities Research

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