

Oberoi Realty

Strong cashflow visibility to drive valuation

Our view

Oberoi Realty (OBER) in the Q3FY24 launched its most awaited project in Kolshet-Thane(2.5msf) and plans to launch the Pokhran -2 (~15msf) project in next 1-2quarters. Additionally, the company plans to launch another tower in Goregaon in Q4FY24. Borivali Mall & Commerz-III is near completion and is expected to be given for fit-outs by the end of Q4FY24 which will add significant rental income of Rs8.6bn to the portfolio from FY25. OBER has confirmed the entry in the Gurugram-NCR by executing the agreement for land sale with a potential saleable area of ~2.6msf. With the OC in hand for its 3 projects, the company is expected to generate significant pre-tax cashflow (Rs91bn) which will help smooth execution of under-construction projects as well as allow the company to utilize it for the business development. We have rationalized the average price realization for all the projects and push some projects (annuity and resi.) to FY25 (earlier assumed H2FY24). As all the residential projects are CF positive and 0.18x gearing, we believe with sustenance of strong demand for larger houses, new launches to do well on the back of quality product and delivery track record. We maintain a premium of 25% on the current portfolio & arrived at SoTP based 1year forward NAV of Rs1676/share with 'ADD' rating.

Kolshet launch marks official entry of "OBEROI" brand in Thane: OBER has launched its Kolshet-Thane project under the name "Forestville" in Q3FY24 which has a total saleable area of 2.5msf. Initially, the company only launched 3 towers of 5 and in just 25days company sold nearly 20-25% of open inventory. With ticket size starting from Rs22.5mn for 3bhk & 4bhk with the carpet starting from 1090sft and Rs50/foor rise. Kolshet's phase-1 is expected to generate gross cashflow of Rs12.8bn while remaining phase-2 should add up to another Rs8.6bn in next 5-7years. Additionally, the company plans to launch its Pokhran-2 project in the next 1-2quarter with ~15msf carpet potential to generate another Rs174bn gross cashflow over next 8-10years.

Strong cashflow from the completed projects: OBER holds an occupation certificate (OC) for 3-projects i.e. for Eternia, Enigma and 360 West. Post OC, Eternia has witnessed increased traction for the inventory and sales run rate has improved from ~20 units in quarter to the +40 units while Enigma is expected to remain slower till Eternia inventory is exhausted (similar trend as Exquisite and Esquire). And 360 West is also witnessing relatively higher interest and should exhibit better sales velocity going ahead. Cumulatively, from the 3 projects OBER is expected to generate gross cashflow of Rs91bn which will aid to execute Thane projects at faster pace and acquisition of new projects.

Completion of Borivali Mall & Commerz-III; addition to annuity: Management reiterated the completion timelines of the Borivali Mall and Commerz-III by the end of Q4FY24 and post that it will be given for fit-outs. For Commerz-III, company has already received part OC. We believe these two assets will add Rs8.6bn to the rental income and hence valued the rental business to Rs140bn at an 11% WACC and 7.5% Cap rate (earlier 8%).

Gurugram a new destination for OBEROI brand: OBER has executed an Agreement for Sale with Ireo Residences Company Pvt. Ltd. and others for acquiring land admeasuring approximately 14.8acres which has saleable potential of ~2.6msf at Sector-58, Gurugram (Golf course extension road). We believe there is complete vacuum in Gurugram with the presence of only DLF, OBER's entry will be instrumental and should generate strong gross cashflow of Rs30bn in next 6-7year.

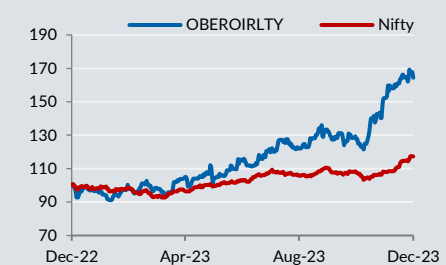
Hospitality witnessing a best phase: Hotel witnessed strong years with occupancy +82%, ARR of Rs11600/night and RevPAR of Rs9,675/room. Additionally, the company will complete Ritz Carlton by the end of FY25 which will add significant cashflow to the hospitality segment. We valued the Hotel at Rs18.6bn at 20x EV/EBITDA FY25E.

Reco	: ADD
CMP	: Rs 1,446
Target Price	: Rs 1,676
Potential Return	: +16%

Stock data (as on Dec 18, 2023)

Nifty	21,419
52 Week h/l (Rs)	1503 / 790
Market cap (Rs/USD mn)	536931 / 6459
Outstanding Shares (mn)	364
6m Avg t/o (Rs mn):	793
Div yield (%):	0.4
Bloomberg code:	OBER IN
NSE code:	OBEROIRLT

Stock performance



	1M	3M	1Y
Absolute return	7.8%	24.7%	64.3%

Shareholding pattern (As of Sep'23 end)

Promoter	67.7%
FII+DII	29.5%
Others	2.9%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	BUY
Target Price	1,676	1,422

Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Revenues	41,926	47,737	72,209
YoY growth	56%	14%	51%
EBITDA	21117	27645	42241
YoY growth	79%	31%	53%
PAT	19045	18650	29820
YoY growth	82%	-2%	60%
EPS	52	51	82
P/E	31.2	28.2	17.6
P/BV	4.3	3.8	3.1
D/E	0.32	0.23	0.18
EV/EBITDA	26.2	18.4	12.3
RoE (%)	15.6	13.4	17.8
RoCE (%)	12.8	14.9	20.3

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Exhibit 1: SoTP valuation at WACC 11.0% And Cap Rate 7.5%

Valuation Breakup	Rs. mn	Rs./share	Comments
Gross NAV Residential	90,465	249	1year forward NAV
Gross NAV Hotels	18,577	51	20x FY25E EV/EBITDA
Gross NAV - Lease Co	140,332	386	1year forward NAV
Land Bank & Other Assets	216,509	595	20% Discount to NAV
Less: Net Debt	24,162	66	at the end of Q2FY24 (incl. MF invt.)
Total NAV	441,721	1215	for current portfolio
Business Development			
Redevelopment	27,600	76	
New Geography	29,583	81	Assuming Co. acquire project in every 5-6years of 3msf each
NAV Post BD	498,904	1372	
Premium To franchise @25%		304	on current portfolio
Target NAV		1676	
CMP		1446	
Upside		16%	

Source: Company, YES Sec

Exhibit 2: Estimate Change

Y/e 31 Mar (Rs m)	FY24E			FY25E		
	Old	New	Change	Old	New	Change
Revenues	61,951	47,737	-23%	64,344	72,209	12%
EBITDA	36,819	27,645	-25%	40,388	42,241	5%
PAT	25,515	18,650	-27%	28,433	29,820	5%
EPS	70	51	-27%	78	82	5%

FINANCIALS

Exhibit 3: Balance Sheet (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23	FY24E	FY25E
Equity capital	3,636	3,636	3,636	3,636	3,636
Reserves	90,055	100,525	118,465	135,661	164,027
Net worth	93,691	104,161	122,101	139,297	167,663
Debt	15,338	28,555	39,441	31,555	30,055
Deferred tax liab (net)	(620)	(455)	(2,034)	(2,034)	(2,034)
Other non-current liabilities	1,851	2,085	1,778	1,778	1,778
Total liabilities	110,260	134,347	161,286	170,596	197,461
Fixed Asset	29,935	42,772	49,800	40,612	39,584
Investments	16,196	26,794	7,027	7,027	7,027
Other Non-current Assets	6,977	6,842	5,773	5,773	5,773
Net Working Capital	55,822	55,008	93,558	76,451	114,876
Inventories	46,626	50,361	85,431	76,160	115,203
Sundry debtors	1,280	1,246	10,983	8,208	11,426
Loans and Advances	3,727	4,691	5,369	5,369	5,369
Sundry creditors	3,218	2,373	2,423	7,484	11,320
Other current liabilities	5,976	19,472	20,283	20,283	20,283
Cash & equivalents	1,331	2,932	5,129	40,734	30,202
Total Assets	110,260	134,347	161,286	170,596	197,461

Source: Company, YES Sec

Exhibit 4: Cash Flow (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23	FY24E	FY25E
PBIT	9,244	13,536	22,239	24,924	39,850
Depreciation	412	398	398	2,128	2,028
Tax paid	(2,031)	(2,911)	(4,779)	(6,273)	(10,030)
Working capital Δ	(999)	1,765	(40,225)	17,107	(38,425)
Other operating items					
Operating cashflow	6,960	10,687	(23,830)	39,463	(5,074)
Capital expenditure	(13,238)	(12,062)	(6,016)	7,060	(1,000)
Free cash flow	(6,277)	(1,374)	(29,847)	46,523	(6,074)
Equity raised					
Investments	7,328	(1,838)	17,373	0	0
Debt financing/disposal	316	13,051	10,817	(7,886)	(1,500)
Interest Paid	(1,480)	(1,628)	(2,637)	(1,578)	(1,503)
Dividends paid	0	0	(1,091)	(1,454)	(1,454)
Net Δ in cash	(113)	8,210	(5,385)	35,605	(10,532)

Source: Company, YES Sec

Exhibit 5: Income statement (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23	FY24E	FY25E
Revenue	20,526	26,940	41,926	47,737	72,209
Operating profit	10,004	11,813	21,117	27,645	42,241
Depreciation	412	398	398	2,128	2,028
Interest expense	760	860	1,691	1,578	1,503
Other income	380	585	1,006	985	1,140
Profit before tax	9,212	11,140	20,035	24,924	39,850
Taxes	1,851	3,065	3,193	6,273	10,030
Adj. PAT	7,393	10,471	19,045	18,650	29,820
Net profit	7,360	8,075	16,841	18,650	29,820

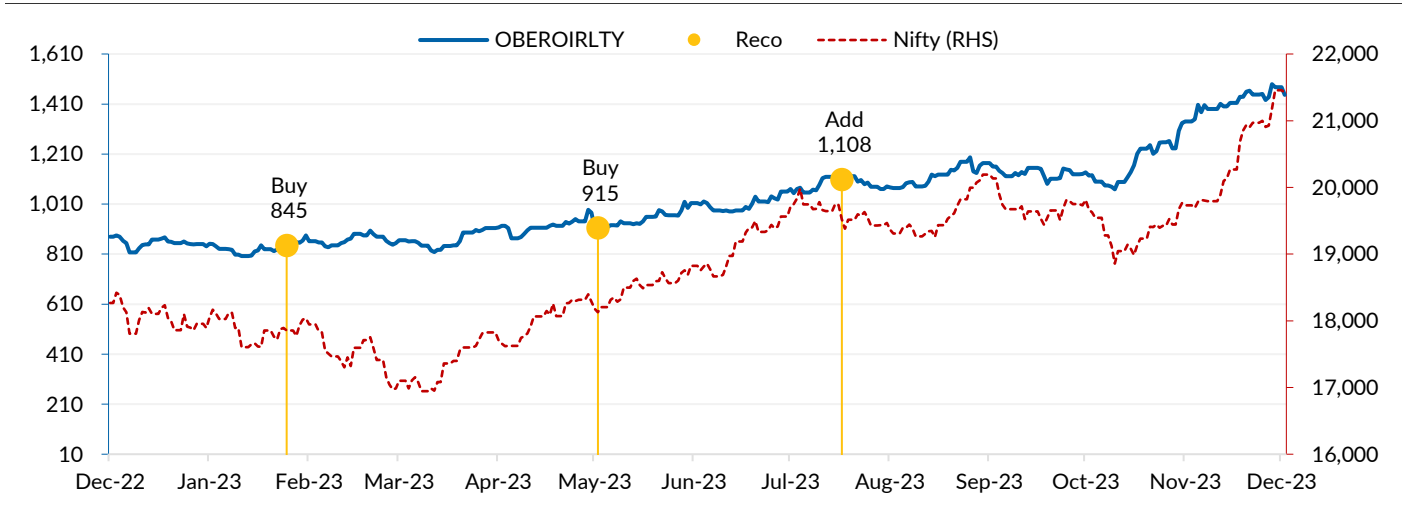
Source: Company, YES Sec

Exhibit 6: Growth and Ratio matrix

Y/e 31 Mar	FY21	FY22	FY23	FY24E	FY25E
Growth matrix (%)					
Revenue growth	(8.3)	31.2	55.6	13.9	51.3
Op profit growth	(4.5)	18.1	78.8	30.9	52.8
EBIT growth	(4.4)	19.0	81.5	23.2	57.6
Net profit growth	7.2	41.6	81.9	(2.1)	59.9
Profitability ratios (%)					
OPM	48.7	43.9	50.4	57.9	58.5
EBIT margin	46.7	42.4	49.4	53.5	55.7
Net profit margin	36.0	38.9	45.4	39.1	41.3
RoCE	8.8	8.6	12.8	14.9	20.3
RoNW	7.9	10.1	15.6	13.4	17.8
RoA	72.6	82.4	177.5	44.9	75.4
Per share ratios					
EPS	20.3	28.8	52.4	51.3	82.0
Dividend per share	0.0	0.0	4.0	4.0	4.0
Cash EPS	21.5	29.9	53.5	57.1	87.6
Book value per share	257.7	286.5	335.8	383.1	461.1
Payout (%)					
Dividend payout	0.0	0.0	8.6	7.8	4.9
Tax payout	20	28	16	25	25
Liquidity ratios					
Debtor days	23	18	28	63	58
Inventory days	829	682	382	582	582
Creditor days	57	57	57	57	57

Source: Company, YES Sec

Recommendation Tracker



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