



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Consolidated revenue rose by 54% on YoY basis and 6.84% on QoQ basis to Rs.1405 cr.
- ROCE of the company increased to 16.3% in FY24 from 16.6% in FY23.
- EBITDA margin increased by 592 bps YoY and decreased by 199.0 bps QoQ to close at 58.0%.
- PAT margin increased by 625 bps YoY and decreased by 1836.3 bps QoQ to close at 41.6%.

2. MANAGEMENT COMMENTARY:

- The rental assets are expected to cross Rs.1000 crore mark in FY25.
- Company witnessed strong leasing traction across its office portfolio and they expect the occupancy to ramp up in next few quarters.
- Company is gearing up for Pokhran, Thane launch along with towers in Goregaon and Borivali during the upcoming festive season.
- Adarsh Nagar project and Gurugram project are work in progress and will be launched by early next year or end of this year.
- The company envisages to do a mall, office and a small boutique hotel in the Glaxo Worli land parcel. They are gearing up to launch the same soon. The total carpet area would be 1.8 million sq ft. This mixed use development could add ~₹800-₹900 crore of rental.
- Balance occupation certificate to be received soon for the Mulund project. Remaining inventory to be sold within 2 years.
- Peddar Road project is also work in progress and is anticipated to be launched in Q4 FY25 or Q1 FY26.

3. PRICE PERFORMANCE (%)

Particulars	3 M	1 Y
Oberoi Realty	6.86	63.41
Nifty Realty	-1.1	90.1
Nifty 50	7.7	31.69

4. CONCALL SUMMARY:

- The operating revenue from Commerz stood at ₹9.4 crore in Q1 FY25 with 76% occupancy and a carpet area of 1,44,232 sq. ft leased. The same in Q1 FY24 was at ₹7.9 crore.
- The Oberoi Mall's operating revenue was ₹46.6 crore with occupancy at 99% in Q1 FY25. The carpet area leased was 3,13,396. ft.
- The Westin Mumbai Garden City's operating revenue during Q1 FY25 stood at ₹42 crore, with occupancy at 83% and average room rate & RevPAR (revenue per available room) at ₹12,224 & ₹10,190 respectively.
- During the quarter, the company booked 139 units. The total booking value stood at ₹1,067 crore.
- In Elysian the carpet area booked in Q1 FY25 stood at 49,853 sq. ft. i.e., 27 units were booked. The booking value for the same was at ₹197 crore.
- In Q1 FY25, the area and units booked from Sky City project was 48,759 sq. ft. and 41 units. Booking value for the same was ₹187.7 crore.
- For Eternia & Enigma (Mulund project), the area booked in Q1 FY25 was 21,683 sq. ft. and 21,056 sq. ft., respectively and 21 and 10 units booked, respectively.
- The company witnessed healthy traction at Three Sixty West Worli during the quarter.

5. VALUATION AND OUTLOOK:

- With a robust near term launch pipeline across, the sales run rate is expected to remain strong over the next three- to-four years.
- The company remains on track for a healthy launch pipeline going forward and company remains hopeful of closing a few land deals in the near future, which is expected to drive up pre-sales growth.
- Strong cash generation will enable business development and further growth visibility in future.
- As per channel checks, Company is likely to differentiate itself from the competition by offering larger 3BHK/4BHK units starting Rs.30 million.
- We initiate BUY rating on stock and value the stock at 32.5x FY26 earnings to arrive at the target of Rs.2197.**

RECOMMENDATION – BUY

CMP –1892

TARGET – 2197 (16.12%)

Industry	Construction- Real Estate
NSE CODE	OBEROIRLTY
BSE CODE	533273
Market Cap (₹ Cr)	68306
Shares outstanding (in Cr)	36.4
52 wk High/Low (₹)	1970/1051
P/E	31.3
P/BV	4.92
Face Value (₹)	10.0
Book Value (₹)	381
EPS (₹)	52.99
Dividend Yield (%)	0.43
Debt / Equity	0.18
Interest coverage	14.1

SHAREHOLDING PATTERN

	June 24	March 24	Dec 23
Promoters	67.7	67.7	67.70
Mutual Funds	10.7	11.1	10.31
FII/FPI	18.1	16.9	17.41
Non Institutions	1.95	2.5	2.84
Promoter Pledging	0.0	0.0	0.0

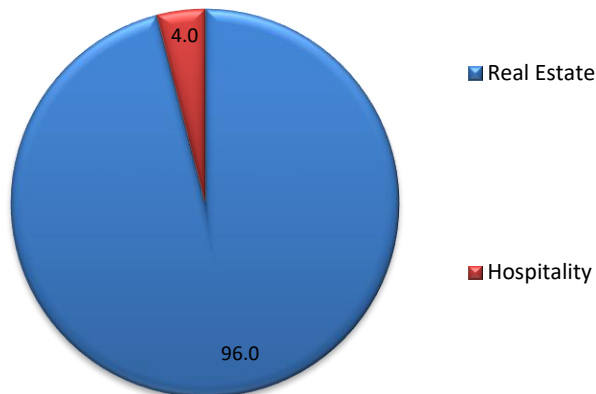
FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
Core			
Sales	4193	4691	6215
Sales Gr. (%)	55.6	4.34	32.49
EBITDA	2111.7	2519	3312
EBITDA mrg. (%)	52.8	53.7	53.3
PAT	1904.6	1937	2460
EPS (₹)	52.4	53.2	67.6
EPS Gr. (%)	81.9	0.57	27.0
Ratios			
RoE (%)	16.8	14.8	15.2
RoCE (%)	16.3	17.1	18.6
Valuation			
P/E (x)	16.1	35.6	28.0
Net Debt/ equity	0.3	0.2	0.1

Particulars	TTM	5 Yr Avg
Historical P/E :	31.5	24.5
Industry P/E :	85.2	
Historical P/B :	4.8	2.7
Industry P/B :	6.2	



REVENUE SPLIT (%) FY24



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23				FY24				FY25		FY24	FY25E*
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2QE*			
Net sales	689	1,629	961	910	1217	1054	1315	1405	1095	4496	4691	
YoY change (%)	-8.71	95.85	16.75	-0.34	76.8	-35.3	36.8	54.42	-9.99	7.23	4.34	
Total Expenditure	378	689	593	436	579	544	526	590	527	2066	2172	
EBITDA	310	940	369	474	638	509	789	815	568	2430	2519	
Margins (%)	45	58	38	52	52	48	60	58	51.8	54	53.7	
Depreciation	10	10	10	11	11	11	14	20	15	48	65	
Interest	36	38	62	62	56	50	50	59	24	218	131.2	
Other income	23	22	34	24	26	29	244	37	84	312	290.1	
PBT	287	914	331	424	597	477	968	773	613	2476	2583	
Tax	69	226	-90	105	142	119	183	191	153	549	646	
Rate (%)	24%	25%	-27%	25%	24%	25%	19%	25%	25%	22.0	25.0	
Adjusted PAT	218	688	420	320	455	358	785	582	459	1927	1937	
YoY change (%)	-17.66	196.37	81.47	-10.6	108.5	-47.9	86.9	82.0	0.9	1.15	0.5	
Key Performance Indicators												
RM Cost (% of Sales)	-17.3	-17.3	-345.4	7.3	17.8	-119.3	19.1	14.1	-	-16	-	
Staff Cost (% of Sales)	1.2	1.2	2.1	2.6	1.9	2.6	2.1	1.9	-	5	-	
Other Costs (% of Sales)	-	-	-	90.1	80.3	-	78.8	84	-	56	-	
EBITDA Margin (%)	45	58	38	52	52	48	60	58	51.8	54	53.7	
PAT Margin (%)	32	42	44	35	37	34	60	41	41.9	42.8	41.3	

Source: Company, Hem Securities Research.

*Insights into the assumptions:

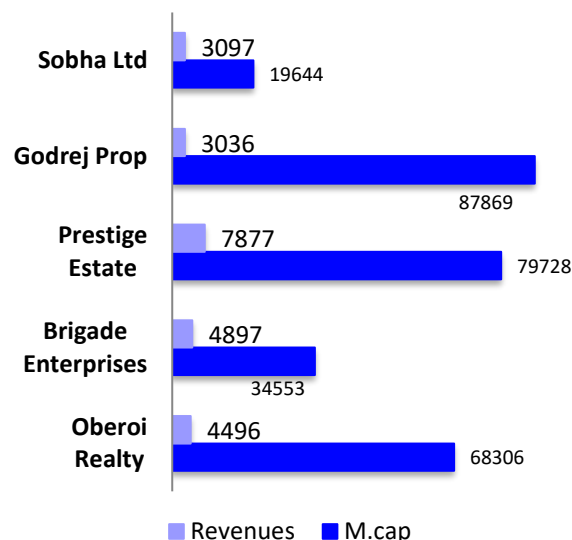
- 1> Expected to see sharp growth in FY25 on the back of Owning to the improving demand dynamics and a strong sales performance in FY24.
- 2> Near term focus of company is to de leverage the balance sheet.
- 3> We expect EBITDA and PAT margins to improve in line with dedicated cost cutting efforts by the company.



INDUSTRY OVERVIEW

- Real estate sector is one of the most globally recognized sectors. It comprises of four sub sectors - housing, retail, hospitality, and commercial. The growth of this sector is well complemented by the growth in the corporate environment and the demand for office space as well as urban and semi-urban accommodations.
- By 2040, real estate market will grow to Rs. 65,000 crore (US\$ 9.30 billion) from Rs. 12,000 crore (US\$ 1.72 billion) in 2019. Real estate sector in India is expected to reach a market size of US\$ 1 trillion by 2030 from US\$ 120 billion in 2017 and contribute 13% to the country's GDP by 2025. Retail, hospitality, and commercial real estate are also growing significantly, providing the much-needed infrastructure for India's growing needs.
- Demand for residential properties has surged due to increased urbanization and rising household income. India is among the top 10 price appreciating housing markets internationally.
- As per ICRA estimates, Indian firms are expected to raise >Rs. 3.5 trillion (US\$ 48 billion) through infrastructure and real estate investment trusts in 2022, as compared with raised funds worth US\$ 29 billion to date.
- Private market investor, Blackstone, which has significantly invested in the Indian real estate sector (worth Rs. 3.8 lakh crore (US\$ 50 billion), is seeking to invest an additional Rs. 1.7 lakh crore (US\$ 22 billion) by 2030. Overall Real Estate sector is in bull trend.

KEY PLAYERS



PEER PERFORMANCE

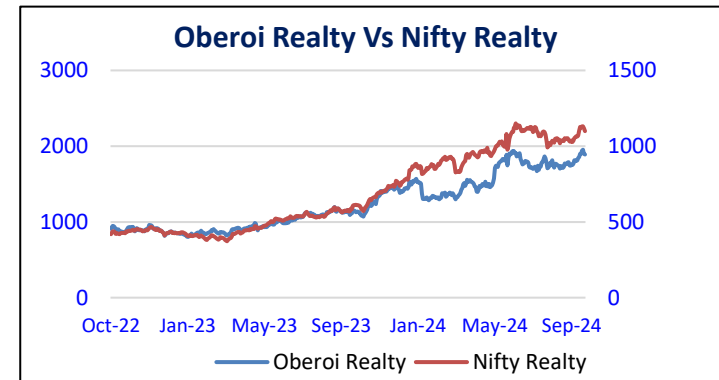
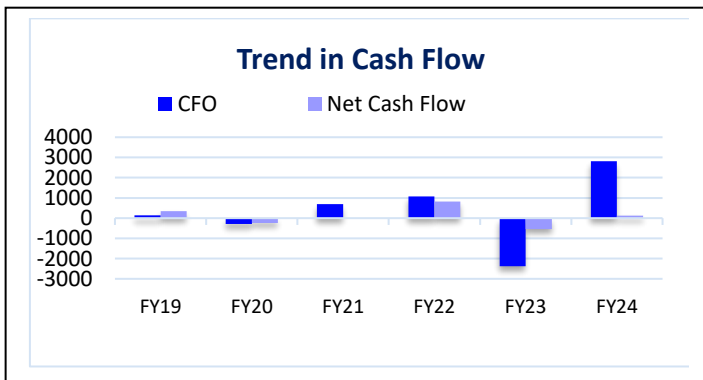
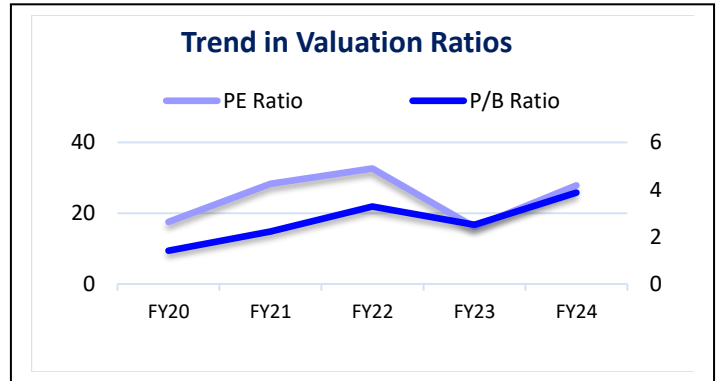
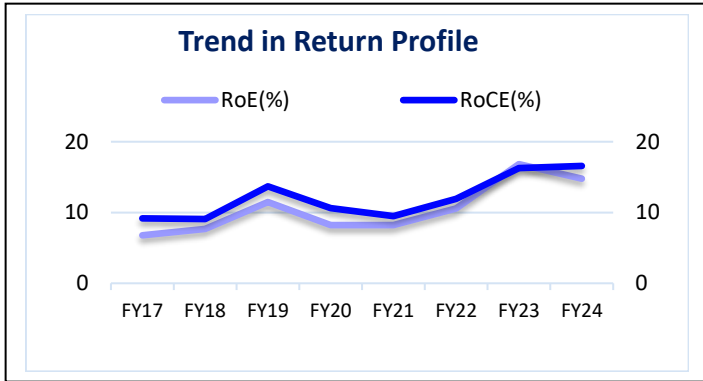
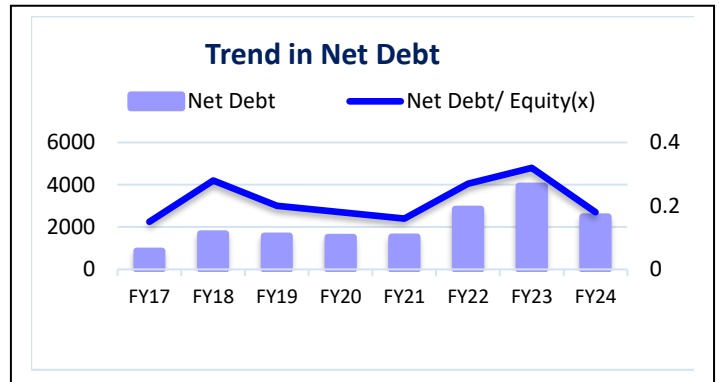
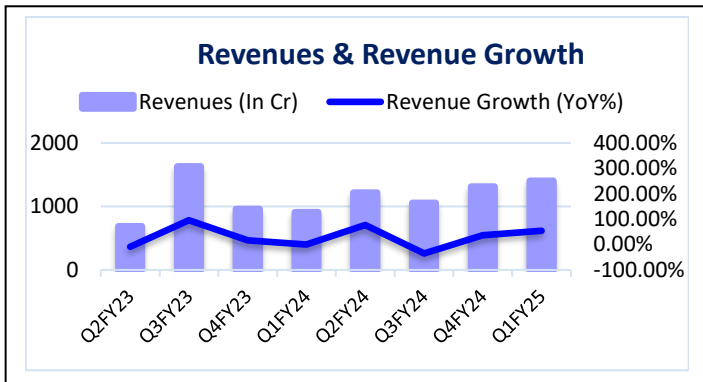
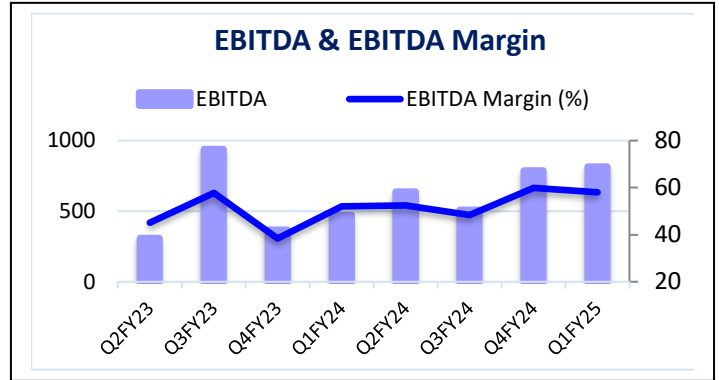
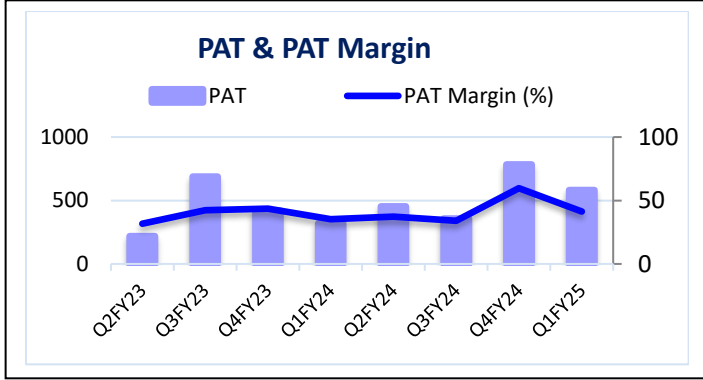
(₹ Cr)

Particulars	Oberoi Realty	Brigade Enterprises	Prestige Estate	Godrej Properties	Sobha
Market Cap	68306	34553	79728	87869	19644
Net Sales	4496	4897	7877	3036	3097
EBITDA	2430	1202	2498	-130	277
PAT	1927	401	1629	747	49
EPS (Rs)	52.99	19.5	34.3	26.1	4.59
EBITDA MARGIN %	54	25	32	-4	9
PAT MARGIN %	43	8.2	20.7	24.60	1.58
ROCE %	15.2	12.7	14.9	5.7	7.1
ROE %	13.5	11.7	12.9	6.8	1.9
P/E	31.8	75.2	58.6	77.7	464
P/B	5.0	8.9	6.5	8.7	8.35
EV/EBITDA	23.0	25.6	21.3	54.4	55.0
Dividend Yield %	0.43	0.14	0.10	0.00	0.15
Mcap/ Sales	14.0	6.4	9.8	30.6	7.1

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- Company is one of India's most established brands with a track record of 30+ years in the Mumbai Metropolitan Region (MMR) – amongst the most attractive real estate markets in the country.
- The company has ~45.3msf of premium developable/unsold area in prime locations. They has maintained discipline and delivered sustainable growth, thanks to their focussed strategy of (a) need-based land acquisition and complex project execution via alternative structures, (b) purchase of land parcels only from reputed players and (c) addressing aspirations via different brands across price points.
- With demonetisation and RERA implementation, organized players such as OBER benefited immensely from their brand value and high quality. Also, company gained from historically low lending rates, tax cuts, and consumer preference for ready-to-move-in/timely-completed projects.
- Given the established brand and favourable dynamics, OBER will continue to capitalize on upcoming opportunities.
- OBER has a strong corporate governance framework driven by its Board of Directors. More than 50% of Board members are independent directors.
- OBER has developed over 45 projects in 30+ years at strategic locations across the Mumbai skyline, aggregating about 11.89mn sq. ft of spaces. With another 45.3mn sq. ft. in the making, it has upcoming projects in various parts of Mumbai and other regions.
- OBER has always maintained a disciplined approach with regard to land acquisition, following a need-based strategy rather than a market-based one. Company acquired a substantial portion of land between 2002-2005 when land prices were lower than market rates. In contrast, the company took a conscious decision to avoid land acquisition during 2007-08 – a period that saw the Lehman and housing crisis in the US and spooked the global economy. Prudent use of funds has thus ensured that capital is efficiently used and leverage stays under control.

RISK FACTORS:

- Any decline in property prices could exert pressure on the real estate market. Further, there is uncertainty about events such as government policy changes, market movements and in general demographic preferences, which could cause considerable damage to players operating in the real estate industry.
- Interest rates play a pivotal role in real estate and are one of the key demand boosters. Any adverse movement in interest rates can lead to a reduction in demand and impact the industry and the company's growth prospects. reason in the country, then it can have a detrimental effect on the demand for steel products

COMPANY RECAP

- Oberoi Realty Ltd is a real estate development company, headquartered in Mumbai. It is the part of Oberoi Realty Group, focused on developments in the residential, office space, retail, hospitality, and social infrastructure verticals.
- Company has categorized its revenue into three categories:-
 - **Residential Projects (81%):** Projects Like Seven, Exquisite, Esquire and recent project, three sixty west.
 - **Rental Income(16%):** It includes rental income from investment properties like Malls and commercial spaces.
 - **Hospitality & Property management Services(4%):** It includes services like the sale of rooms, food and beverages and allied services relating to hotel operations.
- OBER focusses on acquiring land from a near-to-mid-term perspective and by making up-front payments for land purchases. However, it also develops projects through alternative structures such as Joint Development Agreement (JDA) or development management agreements. The company earns revenue from the development and sale of free-sale portion on a revenue-sharing basis. Company's slum rehabilitation scheme (SRS) structure is beneficial for all as the JV partner can get higher value using Oberoi's brand, while OBER benefits from access to quality land without making significant capital investments.
- Company has a very strong presence in MMR – one of India's costliest and strongest real estate markets with 50-55% of the inventory skewed towards mid-high income ticket sizes. The company's healthy portfolio has brands such as Esquire, Exquisite, Sky-city, and Three Sixty West – independent brands across MMR and address customer requirements at every price point.
- Given OBER's branding and quality, it has always garnered strong responses in the launch year itself, keeping future selling uncertainties at bay. Sales are done via various sources: own sales staff, channel partners and third-party brokers. The company has consistently recorded strong sales at launch year itself. OBER has sold more than 33% (average) of its inventory within a year of its project launch, clearly indicating its strong pull in strategy. A strong opening ensures healthy profitability and controlled leverage.
- OBER has a very healthy project pipeline which will ensure sales momentum and healthy cash flow visibility over the near-to-mid-term. Given healthy inventory and the current outlook, we expect the strong momentum to continue.

ANNUAL PERFORMANCE

Financials & Valuations

Income Statement

								(₹ Cr)	
March	2019	2020	2021	2022	2023	2024	2025E	2026E	
Revenue from operations	2,582.5	2237.6	2052.6	2694	4192.6	4495.8	4691	6215	
Growth YoY (%)	104.1	-13.4	-8.3	31.3	55.6	7.2	4.34	32.49	
Total Expenditure	1427.2	1189.7	1052.2	1513	2080.9	2085.9	2172	2903	
(%) of sales	55.3	53.2	51.3	56.2	49.6	46.4	46.3	46.7	
EBITDA	1155.3	1048	1000.4	1181	2111.7	2409.9	2519	3312	
EBITDA Growth (%)	75.8	-11.2	-5.3	18.1	78.8	23.5	4.6	31.48	
EBITDA Margin (%)	47.8	49.0	50.6	44	52.8	60.8	53.7	53.3	
Depreciation	44.0	44.9	41.2	40	40	47.5	65	92	
EBIT	1214.8	1007.9	962.4	1141	2071.7	2362.4	2423.8	3220	
Growth (%)	82.3	-11.6	-5.2	18.6	81.6	14.0	2.62	32.84	
Interest Expenses	19.4	88.5	76.0	86	169	218.4	131.2	165	
Other Income	78.8	48.4	38.0	298	321	322.9	290.1	225	
Exceptional Items	-	-	-	-	-	-	-	-	
Earnings before Taxes	1170.7	963.0	921.2	1353	2224	2475.7	2583	3280	
Growth (%)	81.3	-17.7	-4.3	46.9	64.4	11.3	4.33	26.98	
EBT Margin (%)	45.3	43.0	44.9	50.2	53.0	55.1	55.1	52.78	
Tax-Total	360.7	279.0	185.1	306	319	549.1	646	820	
Rate of tax (%)	30.8	29.0	20.1	23	14	22.2	25	25	
Net Profit	810.0	683.4	736.0	1047	1905	1926.6	1937	2460	
Growth (%)	78.0	-15.6	7.7	42.2	81.9	1.2	0.5	27.0	
PAT Margin (%)	31.4	30.5	35.9	38.9	45.4	42.8	41.3	39.58	
EPS	22.5	19.0	20.3	28.8	52.4	52.9	53.2	67.58	
EPS Growth (%)	66.3	-15.6	7.2	41.9	81.9	1.16	0.57	27.0	

Balance Sheet

Y/E March	2019	2020	2021	2022	2023	2024
Equity Share Capital	364	364	364	364	364	364
Reserves & Surplus	7666	8266	9006	10053	11847	13481
Total Shareholder's Funds (A)	8030	8630	9370	10417	12211	13845
Long Term Borrowings	1586	1519	1534	2855	2881	2192
Non-Controlling Interest	-	-	-	-	-	-
Total Non-Current Liabilities (B)	1586	1519	1534	2855	2881	2192
Advance from customers	6	8	10	-	5	5
Trade Payables	208	61	72	393	173	509
Other Liability Items	1268	976	1034	2026	3356	3082
Total Current Liabilities (C)	1482	1045	1116	2419	3534	3596
Total Equity and Liabilities (A+B+C)	11098	11194	12020	15691	18626	19633
Property, Plant & Equipment	1062	1046	1014	980	949	3053
Capital Work in progress	126	305	1980	3297	4031	2705
Investments	2938	2406	1620	2679	703	818
Total Non-Current Assets (A)	4126	3757	4614	6956	5683	6576
Inventory	4165	5317	4663	5036	8543	9261
Debtors	109	115	128	125	1098	204
Cash and Bank Balance	425	108	133	293	513	767
Loans and advances	2084	1261	1825	484	11	0
Other Current Assets	188	633	657	2796	2777	2824
Total Current Assets (B)	6972	7435	7406	8734	12943	13056
Total Assets(A+B)	11098	11194	12020	15691	18626	19633

Source: Company, Hem Securities Research.



Ratios						
Y/E March (Basic (INR))	2019	2020	2021	2022	2023	2024
Profitability and return ratios						
Net profit margin (%)	31.4	30.5	35.9	38.9	45.4	42.8
EBITDA margin (%)	47.8	48.9	50.6	46.02	52.8	60.8
EBIT margin (%)	46.1	46.9	48.6	53.4	57.1	59.9
ROE (%)	11.5	8.2	8.2	10.6	16.8	14.8
ROCE (%)	13.7	10.6	9.5	11.9	16.3	16.6
Working Capital & liquidity ratios						
Payables (Days)	28.1	50.8	57.1	203.4	579.3	205.6
Inventory (Days)	594.5	773.4	887.3	657.1	591.1	722.7
Receivables (Days)	20.5	18.3	21.6	17.1	53.3	52.9
Current Ratio (x)	3.0	2.9	3.3	3.1	3.8	3.9
Valuations Ratios						
EV/sales (x)	7.9	6.1	10.9	13.6	8.13	12.3
EV/EBITDA (x)	16.5	12.4	21.5	29.6	15.41	20.2
P/E (x)	23.5	17.6	28.3	32.6	16.09	27.8
P/BV (x)	2.4	1.4	2.2	3.3	2.51	3.8
Dividend Yield (%)	0.4	0.0	0.0	0.32	0.47	0.5
Return on Assets (%)	7.7	6.2	6.4	7.5	11.17	10.2
Leverage Ratio						
Debt/Equity (x)	0.2	0.16	0.16	0.27	0.32	0.18

Cash Flow Statement						
Y/E March	2019	2020	2021	2022	2023	2024
CF from Operating activities (A)	146	-282	703	1069	-2383	2810
CF from Investing Activities (B)	-646	358	-597.5	-1390	1739	-644
CF from Financing Activities (C)	839	-309	-116	1142	709	-2034
Net Cash Flow	338	-233	-11	821	65	131
Add: Opening Bal.	93	431	198	187	1008	1073
Closing Balance	431	198	187	1008	1073	1204

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
30 TH Sep 2024	BUY	2197

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