

*Good set of numbers, strong cash flow visibility makes us bullish on Oberoi Realty, Recommend Hold with a revised target price of Rs 568*

Current	Previous
CMP: Rs 534	
Rating: Hold	Rating: Buy
Target: Rs 568	Target: Rs 634

(NR-Not Rated)

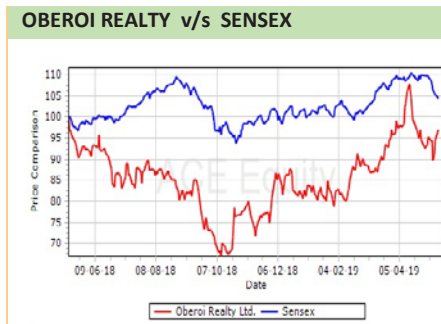
Stock Info	
INDEX	
BSE	533273
NSE	OBEROIRLTY
Bloomberg	OBER IN
Reuters	OEBO.NS
Sector	Real Estate
Face Value (Rs)	10
Equity Capital (Rs Mn)	3636
Market Cap (Rs Mn)	194,162
52w H/L (Rs)	608 / 351
Avg Weekly Vol (BSE+NSE)	2,467,960

Shareholding Pattern	%
<b>(As on March, 2019)</b>	
Promoters	67.7
Public & Others	32.3

Source: NSE, Arihant Research

Stock Performance (%)	3m	6m	12m
OBEROI REALTY	17.9	32.3	1.0
SENSEX	2.9	5.5	4.4

Source: ACE Equity, Arihant Research



Source: ACE Equity, Arihant Research

**Oberoi Realty (ORL) came out with good set of numbers which were mostly in line with our estimates except minor miss on the topline. Revenue grew 66% YoY to Rs 5735 mn below our estimate of Rs 6040 mn, EBITDA grew 14% YoY to Rs 2097 mn slightly above our estimate of Rs 1940 mn, while PAT stood at Rs 1.6 bn mostly in line with our estimate of Rs 1.5 bn, a growth of 9% YoY. With city-centric operations well spread out across the Mumbai region, ORL has a project portfolio of ~34 msf spread across 24 projects. With a strong brand name and a dominant position in each of its micro market, ORL has a strong visibility of future cash flows. We remain positive on ORL from longer term perspective, and have a Hold rating with a revised target price of Rs 568.**

#### Q4FY19 & FY19 Highlights

- In Q4FY19 Oberoi Realty reported 66.2% YoY revenue growth to Rs 5735 mn against Rs 3450 mn in Q4FY18. While for FY19 revenue witnessed 104.1% YoY growth to Rs 25.8 bn against Rs 12.6 bn in FY18.
- EBITDA for Q4FY19 saw a growth of 14.4% YoY to Rs 2097 mn against Rs 1834 mn in Q4FY18. While for FY19 EBITDA grew 71.1% YoY to Rs 11.6 bn against Rs 6.7 bn in FY18. However due to high operating costs (+140% YoY), EBITDA margin contracted by 1658 bps YoY to 36.6% in Q4FY19 against 53.1% in Q4FY18. While for FY19 margin contracted by 862 bps YoY to 44.7% against 53.4% in FY18.
- PAT for Q4FY19 grew 9% YoY to Rs 1.6 bn against Rs 1.4 bn in Q4FY18. For FY19 PAT grew 78.1% YoY to Rs 8.2 bn against Rs 4.6 bn in FY18.

#### Valuations

At CMP of Rs 534, ORL is trading at FY20E and FY21E, P/E multiples of 19.9x and 16.6x respectively. After factoring in Q4FY19 results, we have revised our FY20E and FY21E estimates slightly upwards. We have valued Oberoi Realty using DCF method, wherein we have calculated value of its ongoing and forthcoming projects, pending value from completed development projects and completed annuity projects. We have discounted the company's cash flows at WACC of 12.3% (11.4% earlier) till FY25E and calculated its terminal value beyond that assuming terminal growth rate of 2% (3% earlier). Our DCF method now yields a NAV of Rs 568/share for ORL. We remain positive on ORL and recommend a Hold rating on the stock with a revised TP of Rs 568.

#### Financial Performance

YE March (Rs Mn)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	RoE (%)	P/E (x)
FY18	12,654	6,753	4,588	13.5	53.4	7.5	37.7
FY19	25,825	11,554	8,169	22.5	44.7	10.2	22.7
FY20E	30,371	13,002	9,314	25.6	42.8	11.0	19.9
FY21E	35,838	15,466	11,122	30.6	43.2	12.5	16.6

Source: Company, Arihant Research

## Q4FY19 and FY19 Financial Performance

Rs Mn (Consolidated)	Q4FY19	Q3FY19	Q4FY18	Q-o-Q	Y-o-Y	FY19	FY18	Y-o-Y
<b>Net Revenue</b>	<b>5735</b>	<b>5286</b>	<b>3450</b>	<b>8.5%</b>	<b>66.2%</b>	<b>25825</b>	<b>12654</b>	<b>104.1%</b>
Operating Cost	3168	2975	1319	6.5%	140.3%	12472	4678	166.6%
Employee cost	181	174	157	4.3%	15.4%	734	672	9.2%
Other Expenses	289	257	141	12.4%	105.0%	1066	552	93.1%
<b>EBITDA</b>	<b>2097</b>	<b>1881</b>	<b>1834</b>	<b>11.5%</b>	<b>14.4%</b>	<b>11554</b>	<b>6753</b>	<b>71.1%</b>
<b>EBITDA margin %</b>	<b>36.6%</b>	<b>35.6%</b>	<b>53.1%</b>	<b>99</b>	<b>-1658</b>	<b>44.7%</b>	<b>53.4%</b>	<b>-862</b>
Other Income	238	202	79	17.9%	202.3%	788	266	196.3%
Depreciation	110	114	118	-3.2%	-6.0%	440	491	-10.3%
<b>EBIT</b>	<b>2225</b>	<b>1969</b>	<b>1795</b>	<b>13.0%</b>	<b>24.0%</b>	<b>11900.8</b>	<b>6527.7</b>	<b>82.3%</b>
Finance cost	38	49	19	-22.5%	100.0%	194	69	182.2%
Exceptional Item	0	0	0			0	0	-
<b>PBT</b>	<b>2187</b>	<b>1920</b>	<b>1776</b>	<b>13.9%</b>	<b>23.2%</b>	<b>11707</b>	<b>6459</b>	<b>81.3%</b>
Tax Expense	644	573	357	12.3%	80.1%	3607	1907	89.1%
Effective tax rate %	29.4%	29.8%	20.1%			30.8%	29.5%	
Reported Net Profit	1544	1347	1419	14.6%	8.8%	8100	4552	78.0%
MI & Associates	14	32	11	-56.8%	30.8%	69	36	90.6%
<b>Consolidated PAT</b>	<b>1558</b>	<b>1379</b>	<b>1429</b>	<b>12.9%</b>	<b>9.0%</b>	<b>8169</b>	<b>4588</b>	<b>78.1%</b>
<b>PAT Margin %</b>	<b>27.2%</b>	<b>26.1%</b>	<b>41.4%</b>	<b>107</b>	<b>-1427</b>	<b>31.6%</b>	<b>36.3%</b>	<b>-462</b>
<b>EPS (Rs)</b>	<b>4.3</b>	<b>3.8</b>	<b>3.9</b>	<b>12.9%</b>	<b>9.0%</b>	<b>22.5</b>	<b>12.6</b>	<b>78.1%</b>

Source: Company, Arianth Research

## Post Result Conference Call Highlights

- The company has revised its subvention scheme across some of its key projects to help increase sales momentum as investors nowadays want finite costs and finite timeline for their projects rather than looking at uncertain timelines and cost structure.
- ORL is planning to launch the Phase 3 of its Goregaon project around the festive season of FY20. Management does not expect the new phase to compete with its existing Esquire project as it will be an under-construction project.
- In its Thane Three Sixty West project ORL will apply for the Occupation Certificate (OC) in the current quarter and hopes to get part OC for the project by September 2019 and for the full project by December 2019.
- The decline in sales volume (by units sold) on quarterly basis is primarily due to lower sales in its Eternia project (6 units against 14 in Q3FY19), Enigma project (5 units against 7 earlier) and Sky City (32 units against 51 units earlier). However its Esquire project reported higher units for the quarter (19 units against 12 earlier), while its Thane project, Three Sixty West also reported higher sales (3 units against nil booking in Q3FY19). Though for its other projects like Prisma and Exquisite ORL did not report any new bookings for the current quarter.
- ORL is continuing with the status quo on GST rate for its ongoing projects, with 12% GST rate and do not see any material impact on the sales momentum due to sticking to old rates.

## Consolidated Financials

## Income Statement (Rs Mn)

Year End-March	FY18	FY19	FY20E	FY21E
<b>Revenues</b>	12,654	25,825	30,371	35,838
<i>Change (%)</i>	13.6%	104.1%	17.6%	18.0%
Operating Costs	4,679	12,472	15,034	17,704
Employee costs	672	734	911	1,075
Other expenses	551	1,066	1,425	1,593
<b>Total Expenses</b>	<b>5,901</b>	<b>14,271</b>	<b>17,369</b>	<b>20,372</b>
<b>EBITDA</b>	<b>6,753</b>	<b>11,554</b>	<b>13,002</b>	<b>15,466</b>
Other Income	266	788	911	1,075
Depreciation	491	440	456	473
Interest	69	194	152	179
<b>PBT</b>	<b>6,459</b>	<b>11,707</b>	<b>13,305</b>	<b>15,889</b>
Extra-ordinary	0	0	0	0
<b>PBT after ext-ord.</b>	<b>6,459</b>	<b>11,707</b>	<b>13,305</b>	<b>15,889</b>
Tax	1,907	3,607	3,992	4,767
<i>Rate (%)</i>	29.5%	30.8%	30.0%	30.0%
<b>PAT</b>	<b>4,552</b>	<b>8,100</b>	<b>9,314</b>	<b>11,122</b>
MI & Associates	36	69	0	0
<b>Consolidated PAT</b>	<b>4,588</b>	<b>8,169</b>	<b>9,314</b>	<b>11,122</b>
<i>Change (%)</i>	21.2%	78.1%	14.0%	19.4%

Source: Company, Aриhant Research

## Balance Sheet (Rs Mn)

Year End-March	FY18	FY19	FY20E	FY21E
<b>Sources of Funds</b>				
Share Capital	3,396	3,636	3,636	3,636
Reserves & Surplus	57,528	76,656	81,033	85,343
<b>Net Worth</b>	<b>60,924</b>	<b>80,292</b>	<b>84,669</b>	<b>88,979</b>
<b>Loan Funds</b>	<b>9,445</b>	<b>8,361</b>	<b>7,361</b>	<b>6,361</b>
Deferred Tax & Other Liabilities	553	618	618	618
<b>Capital Employed</b>	<b>70,922</b>	<b>89,270</b>	<b>92,649</b>	<b>95,957</b>
<b>Application of Funds</b>				
Gross Block	11,209	12,522	13,022	13,522
Less: Depreciation	1,446	1,886	2,342	2,815
Net Block	9,763	10,636	10,680	10,707
CWIP	1,126	1,261	1,261	1,261
Other Non-Current Assets	1,462	2,215	2,215	2,215
Deferred Tax Assets	1,458	1,348	1,348	1,348
<b>Net Fixed Assets</b>	<b>13,809</b>	<b>15,459</b>	<b>15,503</b>	<b>15,530</b>
<b>Investments</b>	<b>24,242</b>	<b>29,378</b>	<b>29,378</b>	<b>29,378</b>
Debtors	1,813	1,094	832	982
Inventories	42,467	41,655	24,962	29,456
Cash & Bank Balance	1,167	4,253	9,387	8,776
Loans & Advances & Other CA	18,749	19,467	37,575	41,320
<b>Total Current Assets</b>	<b>64,197</b>	<b>66,469</b>	<b>72,757</b>	<b>80,534</b>
Current Liabilities	31,304	22,007	24,962	29,456
Provisions	21	28	28	28
<b>Net Current Assets</b>	<b>32,871</b>	<b>44,434</b>	<b>47,767</b>	<b>51,050</b>
<b>Total Assets</b>	<b>70,922</b>	<b>89,270</b>	<b>92,647</b>	<b>95,957</b>

Source: Company, Aриhant Research

**Cash Flow Statement (Rs Mn)**

Year End-March	FY18	FY19	FY20E	FY21E
<b>PBT</b>	<b>6,459</b>	<b>11,707</b>	<b>13,305</b>	<b>15,889</b>
Depreciation	491	440	456	473
Interest & Others	-161	-525	-759	-896
Cash Flow before WC changes	6,789	11,623	13,002	15,466
<b>(Inc)/dec in Working Capital</b>	<b>-3,914</b>	<b>-16,019</b>	<b>-6,422</b>	<b>-13,562</b>
Operating CF after WC changes	2,875	-4,396	6,580	1,904
Less: Taxes	-1,907	-3,607	-3,992	-4,767
<b>Operating Cash Flow</b>	<b>968</b>	<b>-8,003</b>	<b>2,589</b>	<b>-2,863</b>
(Inc)/dec in F.A + CWIP	-826	-1,439	-500	-500
(Pur)/sale of Investment	-6,170	-5,779	0	0
<b>Cash Flow from Investing</b>	<b>-6,997</b>	<b>-7,219</b>	<b>-500</b>	<b>-500</b>
<b>Free Cash Flow (FCF)</b>	<b>142</b>	<b>-9,443</b>	<b>2,089</b>	<b>-3,363</b>
Loan Raised/(Repaid)	759	-1,084	-1,000	-1,000
Equity Raised	1	240	0	0
Interest & Others	59	553	828	896
Dividend	-817	-727	-1,091	-1,454
<b>Cash Flow from Financing Activities</b>	<b>3,738</b>	<b>18,307</b>	<b>3,046</b>	<b>2,751</b>
<b>Net Inc / (Dec) in Cash</b>	<b>-2,291</b>	<b>3,086</b>	<b>5,134</b>	<b>-612</b>
Opening Balance of Cash	3,458	1,167	4,253	9,387
Closing Balance of Cash	1,167	4,253	9,387	8,776

Source: Company, Aриhant Research

**Key Ratios**

Year End-March	FY18	FY19	FY20E	FY21E
<b>Per Share (Rs)</b>				
EPS	13.5	22.5	25.6	30.6
CEPS	15.0	23.7	26.9	31.9
BVPS	179.4	220.8	232.9	244.7
DPS	2.4	2.0	3.0	4.0
Payout (%)	17.8%	8.9%	11.7%	13.1%
<b>Valuation (x)</b>				
P/E	37.7	22.7	19.9	16.6
P/CEPS	34.0	21.5	18.9	16.0
P/BV	2.8	2.3	2.2	2.1
EV/EBITDA	28.1	17.2	14.8	12.4
Dividend Yield (%)	0.5%	0.4%	0.6%	0.8%
<b>Return Ratio (%)</b>				
EBIDTA Margin	53.4%	44.7%	42.8%	43.2%
PAT Margin	36.3%	31.6%	30.7%	31.0%
ROE	7.5%	10.2%	11.0%	12.5%
ROCE	8.8%	12.4%	13.5%	15.6%
<b>Leverage Ratio (%)</b>				
Total D/E	0.2	0.1	0.1	0.1
Net D/E	0.1	0.1	0.0	0.0
<b>Turnover Ratios</b>				
Asset Turnover (x)	0.2	0.3	0.3	0.4
Inventory Days	1225	589	300	300
Receivable Days	52	15	10	10
Payable days	904	311	300	300

Source: Company, Aриhant Research

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**Stock Rating Scale**

	<b>Absolute Return</b>
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	<-5%

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