

Oberoi Realty

BSE Code : **533273**

Time Duration : **18 months**

CMP : **₹482 (as on 26 July, 2018)**

Target Price : **₹600**



Large Rhino

Swiftest Performers
Among Heavy Weights

The Large rhino for the month of July is Oberoi Realty, one of the prominent names in India's real estate sector. The company is Mumbai-based and has major projects in Mumbai and its suburbs. The company has approximately 28 million sq.ft of land under development with ongoing projects. The projects are well-diversified across different segments such as residential, retail, hospitality, office & social. However, the residential segments command over 62 per cent of the total acquired land, which is being developed for residential projects. It is a prominent player in India's most attractive real estate markets – Mumbai, which is also the costliest real estate market in the world, with limited land resources. The company has been successful in acquiring large land parcels in and around Mumbai giving it good potential for the growth.

New launches to drive demand growth

The company has strong residential projects in the pipeline which includes Sky City, Exquisite III and has recently acquired land in Thane. The company also envisages launching the construction of new malls in Mumbai and other commercial space in Commerz III in Goregaon. The Sky City project in Borivali has a total development area of 25 acres. Currently, the company is constructing 4.45 million square ft. in Sky City phase 1 project and mall. The company has plans to launch Phase II, Hotel and Sky City extension. The luxury project in Worli, Three Sixty West will come with two high rise towers and India's First Ritz Carlton hotel. The company largely caters to luxury customers whose demand is less affected due to negative factors in the economy. To add to the growth prospects, the company has announced a subvention scheme for its Exquisite and Esquire projects in Mumbai. Under the scheme, the buyer will have to pay 25 per cent of the total payment upfront and the remaining 75 per cent will be received by the company from the bank. For a year, the buyer will not have to pay EMI. For the 1st and 2nd year, the two-third and one-third will be borne by the company and the balance will be paid by buyer. This scheme aims to see traction in its high-ticket size inventory.

Strong performance in the industry

Real estate segment suffered the most due to demonetisation. The demand for housing dried out and inventories piled up at construction company's end. However, Mumbai market has shown significant improvement and off-take in the inventory. Post RERA implementation customers have shown preference to developers who have proven quality and timely delivery record. In FY18, the company has delivered strong performance by selling 3,22,563 sq.ft of land vs 3,06,225 sq.ft of land in FY17. In the residential segment, the company witnessed strong revenue recognition with majority units sold in ongoing and completed projects. The Exquisite & Esquire in Goregaon has managed to garner around Rs. 4,173 crore with almost 100 per cent occupancy. The Mulund project which has two high rise towers have sold 452 units and expected revenue recognition is Rs. 1,268 crore. While the 360-West the ultra-luxurious project in Worli has received 20 per cent booking with revenue recognition of Rs. 1,759 crore. While the Sky City project in Borivali is also 33 per cent booked with revenue recognition of Rs. 2,137 crore.

Well-diversified into various segments

The company has entered into the affordable segment under the brand Aspire. The brand will offer units with a saleable area of 1,000 sq.ft at an average ticket size of Rs. 1.2 crore. The company also expects margins to remain in the range of 33-35 per cent. The company also has a sizeable properties in the retail segment, its Oberoi Mall in Goregaon has now achieved 99 per cent occupancy in FY18 vs 95 per cent in FY17 and has generated revenue of Rs. 110.4 crores in FY18, marginally up from 2017. Further, the company is also coming up with another mall in Borivali at its Sky City project and another one in Worli. In hospitality segment, its Westin property in Garden City Goregaon has seen steady growth in occupancy to 84.78 per cent in Q4FY18 vs 77 per cent in Q4FY17. In commercial space, company's Commerz II space in Goregaon, Sky City extension and another commercial space in Mulund gives it a stronghold in this important real estate segment.

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DSJ INVESTMENT ADVISORY UNIT (CRU)

Financials

The Company has recorded Consolidated Revenue of Rs. 352.84 crore for Q4FY18 as against Rs. 302.33 crore for Q4FY17. The Consolidated Revenue is Rs. 1,292.01 crore for FY18 as against Rs. 1,161.34 crore for FY17. The EBITDA for the quarter rose by 21.3 per cent yoy to Rs.183 crore in Q4FY18. The EBITDA margins for the quarter also expanded by 90 bps to 53.1 per cent in Q4FY18 vs 52.2 per cent in previous year corresponding quarter. The Consolidated Profit After Tax for FY18 is Rs. 458.80 crore as against Rs. 378.59 crore for FY17. The order book stands at Rs. 5,360.82 crore at the end of FY18 as against Rs 5,037.45 crore at the end of FY17.

Outlook & Valuation

The company has a stronghold in the country's most expensive real estate market and largely caters to the premium segment. Further, the company's upcoming and near completion projects drive huge revenue recognition, going forward. The Eternia Enigma and Sky City are scheduled to reach revenue recognition in H1FY19, which ensures strong revenue growth over the years. The rental and hospitality income growth adds more confidence to sustained revenue growth and schemes like subvention will give steady cash flow to the company, thereby improving its operational efficiency. Further, its net debt to equity of 0.3x gives ample headroom for buying new land parcels. Further, its premium pricing will ensure sustained EBITDA margins. The stock is currently trading at P/E of 37.3x which is attractive as compared to its peers such as Godrej Properties. Owing to this, we recommend our investors to **BUY** the stock.

Inc/Exp Statement(Consolidated) (Rs in Crore)

Description	201803	201703	201603	201503	201403
Net Sales	1265.40	1113.62	1416.01	922.67	798.45
Total Income	1308.09	1171.43	1492.25	976.64	863.44
Total Expenditure	606.26	554.06	773.18	445.32	369.14
PBIDT	701.84	617.36	719.07	531.33	494.30
PAT	455.18	375.45	433.96	317.12	311.06
Dividend %	20.00	20.00	20.00	20.00	20.00
Adj. EPS(Rs)	13.51	11.15	12.84	9.66	9.48

Quarter On Quarter (Consolidated) (Rs in Crore)

Particulars	201803	201712	Q on Q Var%	201703	Y on Y Var%
Net Sales	344.97	356.20	-3.15	289.56	19.14
Total Expenditure	161.62	163.58	-1.20	138.39	16.79
PBIDT (Excl OI)	183.35	192.62	-4.81	151.17	21.29
PAT	141.85	119.24	18.96	101.00	40.45
PBIDTM% (Excl OI)	53.15	54.08	-1.72	52.21	1.80
PBIDTM%	55.43	55.24	0.34	56.62	-2.10
PATM%	41.12	33.48	22.82	34.88	17.89
Adj. EPS(Rs)	4.21	3.54	18.93	3.00	40.33

