Oberoi Realty Limited

August 17, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	75.00	CARE AA+; Stable / CARE A1+ (Double A Plus; Outlook: Stable/ A One Plus)	Reaffirmed; Outlook revised from Negative
Total Bank Facilities	**75.00 (Rs. Seventy-Five Crore Only)**		
Non-Convertible Debentures	320.00 (Reduced from 700.00)	CARE AA+; Stable (Double A Plus; Outlook: Stable)	Reaffirmed; Outlook revised from Negative
Total Long-Term Instruments	**320.00 (Rs. Three Hundred Twenty Crore Only)**		
Commercial Paper	300.00	CARE A1+ (A One Plus)	Reaffirmed
Total Short-Term Instruments	**300.00 (Rs. Three Hundred Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings to long-term and short-term facilities of Oberoi Realty Limited (ORL) continue to derive strength from experienced promoters possessing vast track record in real estate industry, well established brand with proven track of execution of real estate projects, stable revenue from major investment and development properties and favourable financial risk profile and debt coverage indicators.

ORL amidst ongoing COVID-19 pandemic reported improvement in overall sales in FY21 (refers period April 01, to March 31,) as compared to FY20. Further, the improvement in overall sales continues in Q1FY22 (refers to period April 01, to June 30,) as compared to Q1FY21. The overall collection efficiency of the company continues to be stable at around 78% as on March 31, 2021.

The capital structure remained robust at 0.16 times (consolidated level) at the end of FY21 imparting strong financial flexibility. The company continues to report favourable interest coverage and Total Outside Liabilities to Tangible Net Worth in FY21 & Q1FY21.

However, the rating strengths are partially offset by high geographical concentration due to restricted presence of business operations in Mumbai Metropolitan Region (MMR) and inherent risks associated with execution of large-scale long gestation projects amidst cyclical nature of real estate industry.

ORL's few projects have witnessed slow progress in term of booking and collection due to nuances of particular micro market dynamics. The company has initiated various measures to improve booking and collections in those projects. However, fruitification of these measures remains key rating monitorable.

The revenue from hospitality and rental business was impacted by relatively lower economic activities due to ongoing COVID-19 pandemic. Improvement and ramp-up in performance of these segments would be key rating monitorables.

Rating Sensitivities

Positive factors - Factors that could lead to positive rating action/upgrade:

- Net debt free position of the company at consolidated level on sustained manner

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Moderation in financial risk profile of the company with overall gearing ratio above 0.30 times at consolidated level on sustained manner
- Committed receivables to balance project cost and outstanding debt is less than 75% at consolidated level

Outlook: Stable

The revision in outlook from 'Negative' to 'Stable' is on account of robust sales of Rs. 3280 crore in FY21 (refers to period April 01, to March 31,) as compared to Rs. 1259 crore in FY20. The increase in sales is majorly driven by reduction in stamp duty in Maharashtra. Further, the company reported continued increase in sales in Q1FY22 (refers to period April 01, to June 30,) to Rs. 170 crore as compared to Rs. 25 crore in Q1FY21. Committed receivables as percent of balance cost and outstanding debt improved to 94% as on March 31, 2021 as compared to 91% as on August 31, 2020. Further, the revenue

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

from development properties is envisaged to increase on account of completion of few projects where around 75-80% of total cost is already incurred as on March 31, 2021.
The outlook may be revised to 'Negative' in case of moderation in sales momentum and/or delay in achievement of envisaged revenue from development properties in short to medium term.

Detailed description of the key rating drivers
Key Rating Strengths
Experienced promoter possessing vast experience in real estate industry
ORL is promoted by Mr. Vikas Oberoi (First Generation) who is also its Chairman & Managing Director. Earlier the company was known as Kingston Properties Private Limited. The promoter has over three decades of experience in executing real estate projects in MMR. Promoter and promoter group hold 67.70% stake in the company with no pledge against such holding. The day-to-day operations of the company are managed by a team of qualified and experienced professional. Over the years the company has executed several projects in residential, commercial and hospitality segment.

Well established brand with proven track of execution of real estate projects
ORL business portfolio comprises of investment and development properties. These properties are majorly situated in western suburban area of MMR. In investment properties portfolio the company has completed commercial and hospitality projects which operate under lease model. Whereas in development properties the company has residential, commercial and hospitality projects at various construction stages. Completion of commercial and hospitality projects would add to investment portfolio, resulting into stable cashflow. In past two years due to onset of COVID-19 pandemic the stability of cashflow from investment portfolio has been impacted.
ORL majorly executes real estate projects under development properties segment with whole and/or majority shareholding. However, in case of project in Worli, Mumbai the company has stake of 32.50%. In the past ORL completed residential, commercial, hospitality and social infrastructure projects of 118.91 lsf. These projects were majorly executed through its wholly owned subsidiaries.
During FY21, the company launched two new projects - Elysian at Oberoi Garden City, Goregaon East, Mumbai and Sky City, Tower F at Borivali East, Mumbai. These projects are within the land premises of existing completed/ongoing projects.

Stable revenue from major investment and development properties despite COVID-19 induced pandemic
ORL on consolidated basis continues to derive revenue from investment and development properties. In FY21 the company reported moderation in revenue from investment properties segment due to COVID-19 pandemic. The performance of hospitality and commercial segment witnessed dip in revenue. The company reported rental income of Rs. 323 crore in FY21 as compared to Rs. 369 crore in FY20. However, rental income increased marginal to Rs. 58 crore in Q1FY22 as compared to Rs. 52 crore in Q1FY21 on account of revival of economic activities.
Hospitality segment reported subdued performance with income of Rs. 34 crore in FY21 as compared to Rs. 134 crore in FY20.
On the contrary inn FY21, the company reported improvement in operational performance in development properties (i.e. residential real estate) segment.
The company sold 10.65 lakh square feet (RERA carpet area) as compared to approximately 4.02 lakh square feet (RERA carpet area) in FY20. Booking value increased to Rs. 3280 crore in FY21 as compared to Rs. 1259 crore in FY20 on account of launch of reduction in stamp duty in Maharashtra and revival of demand in residential segment. Further, the company reported improvement in collection and booking value in Q1FY22 on y-o-y basis owing to continued robust demand prospects of residential projects in Mumbai coupled with movement in construction activities in on-going projects. The sales in Q1FY22 stood at Rs. 170 crore as compared to Rs. 25 crore in Q1FY21. Similarly, the collection in Q1FY22 improved to Rs. 640 crore as compared to Rs. 85 crore in Q1FY21.

Favourable financial risk profile and robust debt coverage indicators
ORL continues to report favourable financial risk profile and debt coverage indicators in FY21. Overall gearing ratio of the company (consolidated) marginally improved to 0.16 times as on March 31, 2021 as compared to 0.18 times as on March 31, 2020. While overall debt remained largely unchanged, interest coverage ratio of the company improved from 7.06 times in FY20 to 7.68 times in FY21 on account of refinance of NCDs at lower interest rate. Despite dip in revenue in FY21, gross cash accurals of the company marginally increased on account of lower interest & finance expenses. TOL/TNW of the company continues to favourable at 0.28 times as on March 31, 2021.
Committed receivables as percent of balance cost and outstanding debt improved to 94% as on March 31, 2021 as compared to 91% as on August 31, 2020. Further, the revenue from development properties is envisaged to increase on account of completion of few projects where around 75-80% of total cost is already incurred as on March 31, 2021.

CARE understands from the management of the company that overall gearing ratio at consolidated level would be maintained below 0.30x at all times. Going forward any large debt funded project adversely impacting the financial risk profile of the company from the envisaged level would be a key rating sensitivity.

Key Rating Weaknesses

High geographical concentration associated with presence in a single city

ORL has operations in Mumbai Metropolitan Region (MMR). The company has portfolio in residential, commercial, hospitality and social infrastructure including investment and developing properties in these segments. The company's real estate portfolio caters to high end customer base. Thereby, the company's operations are highly exposed to vagaries of the micro market forces of the region.

ORL is exploring micro markets near MMR like Thane and Pune. As on June 30, 2021 the company has acquired land (60 acres) at Thane while the entry plans in Pune market are in nascent stages.

With over three decades of presence and execution of projects in the region the company has relatively better position amongst the existing players. As a result, the geographical concentration risk is mitigated to a certain extent.

Inherent risk associated with execution of large-scale project amidst cyclical nature of real estate industry

ORL has 11 projects under planning phase comprising of residential, commercial and hotel. These projects are located in MMR and Thane. The company is in initial stage of project development with receipt of Initiation of Disapproval (IOD) and has commenced construction at few sites. Amongst planned projects, few are part of extension of ongoing projects. The company plans to enter new micro real estate market of Thane. So far till March 31, 2021 the company has developed 118.91 lsf and has 218.07 lsf (incl. 22.82 lsf in associate) under implementation.

The company's operations are exposed to project execution risk and inherent risk associated with execution of large-scale projects.

ORL's few projects have witnessed slow progress in term of booking and collection due to nuances of particular micro market dynamics. The company has initiated various measures to improve booking and collections in those projects. However, fruitification of these measures remains key rating monitorable.

Apart from real estate business is into hotel and rental businesses. In hospitality business, the company currently has one operational hotel property and another under project stage. In rental business, the company has three operational commercial properties and one under construction. The revenue from hospitality and rental segments were impacted by relatively lower economic activities due to ongoing COVID-19 pandemic. Going forward improvement in performance of hotel and rental business would be key rating monitorable.

Real estate sector demand is linked to the overall economic prospects. The cyclicality associated with economic outlook, interest rates, input prices etc. also render the real estate sector vulnerable as exhibited by disruptions in construction activities.

Liquidity analysis:

Liquidity: Strong

ORL at consolidated level has free cash and cash equivalent of Rs. 345 crore as on June 30, 2021, unavailed Commercial paper programme of Rs. 300 crore and average utilisation of Overdraft limit for 12- month period ended May 31, 2021 stood at 68% imparting strong liquidity support towards servicing of the debt obligations aggregating Rs. 965 crore payable in FY22. Overall gearing ratio of the company stood at 0.16 times as on March 31, 2021 demonstrating financial flexibility.

Analytical approach: Consolidated. Refer Annexure-4 for details.

CARE while arriving at rating of ORL continues to take cognizance of all projects (i.e. residential, commercial and hospitality) on the overall financial and operational performance of the company at consolidated level. These projects are executed through subsidiaries of ORL where the company holds majority/management stake.

Applicable Criteria

CARE's criteria on assigning Outlook and Credit watch to Credit Ratings

CARE's Policy on Default Recognition

Rating Methodology: Consolidation

Rating Methodology: Notching by factoring linkages in Ratings

Financial ratios – Non-Financial Sector

Liquidity Analysis of Non-Financial Sector Entities

Criteria for Short Term Instruments

Rating Methodology – Real Estate Sector

About the Company
Oberoi Realty Limited (ORL) incorporated on May 08, 1998 is into real estate development majorly in Mumbai Metropolitan region. The company operates into residential, commercial, hospitality, social infrastructure business segment through its subsidiaries/associates. So far, the company through its subsidiaries, has developed 118.91 lsf and has 218.07 lsf (incl. 22.82 lsf in associate) under implementation.

Brief Financials (Rs. crore)-Consolidated	FY20 (Audited)	FY21 (Audited)
Total operating income	2282.79	2089.72
PBILDT	1171.06	1105.34
PAT	689.33	739.29
Overall gearing (times)	0.18	0.16
Interest coverage (times)	7.06	7.68

Note: - Financials have been classified as per CARE's internal standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Complexity level of various instruments rated for this company: Annexure 5

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Debentures-Non-Convertible Debentures	INE093I07025	October 01, 2020	7.85%	October 01, 2025	320.00	CARE AA+; Stable
Fund-based/Non-fund-based-LT/ST	-	-	-	-	75.00	CARE AA+; Stable / CARE A1+
Commercial Paper-Commercial Paper (Standalone)	-	-	-	7 to 364 days	300.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Commercial Paper-Commercial Paper (Standalone)	ST	300.00	CARE A1+	-	1)CARE A1+ (06-Oct-20) 2)CARE A1+ (24-Apr-20)	1)CARE A1+ (05-Jul-19) 2)CARE A1+ (26-Apr-19)	1)CARE A1+ (05-Jul-18)
2.	Fund-based/Non-fund-based-LT/ST	LT/ST	75.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Negative / CARE A1+ (06-Oct-20) 2)CARE AA+; Negative / CARE A1+ (24-Apr-20)	1)CARE AA+; Stable / CARE A1+ (05-Jul-19)	1)CARE AA+; Stable / CARE A1+ (05-Jul-18)
3.	Debentures-Non Convertible Debentures	LT	320.00	CARE AA+; Stable	-	1)CARE AA+; Negative (29-Sep-20)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- N.A.

Annexure- 4: List of subsidiaries of ORL as on June 30, 2021

S. No.	Name of the company	% shareholding of ORL
1	Oberoi Construction Limited	100.00
2	Oberoi Mall Limited	100.00
3	Incline Realty Private Limited	100.00
4	Perspective Realty Private Limited	100.00
5	Kingston Property Services Limited	100.00
6	Kingston Hospitality and Developers Private Limited	100.00
7	Expressions Realty Private Limited	100.00
8	Buoyant Realty LLP	100.00
9	Sight Realty Private Limited	100.00
10	Integrus Realty Private Limited	100.00
11	Evenstar Hotels Private Limited	100.00
12	Astir Realty LLP	100.00
13	Pursuit Realty LLP	100.00

Annexure-5: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Commercial Paper-Commercial Paper (Standalone)	Simple
2.	Debentures-Non-Convertible Debentures	Simple
3.	Fund-based/Non-fund-based-LT/ST	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us

Media Contact
Name: Mr. Mradul Mishra
Contact no. – +91-22-6754 3573
Email ID – mradul.mishra@careratings.com

Analyst Contact
Group Head Name – Rajashree Murkute
Group Head Contact no.- +91-22- 6837 4474
Group Head Email ID- rajashree.murkte@careratings.com

Relationship Contact
Name: Mr. Saikat Roy
Contact no. -+91-22- 6754 3404
Email ID: saikat.roy@careratings.com

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