Oberoi Realty Limited (Revised)

October 10, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	590.29 (Reduced from 881.20)	CARE AA+; Stable	Reaffirmed
Long-term / short-term bank facilities	300.00	CARE AA+; Stable / CARE A1+	Reaffirmed
Non-convertible debentures	1,500.00	CARE AA+; Stable	Assigned
Non-convertible debentures	230.00 (Reduced from 575.00)	CARE AA+; Stable	Reaffirmed
Commercial paper	300.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities, debt instrument, and commercial paper (CP) of Oberoi Realty Limited (ORL) factors in continued strong operational performance in FY24 and Q1FY25, marked by healthy growth in pre-sales and collections and significant reduction in leverage position.

On a consolidated basis, ORL sold an area of 10.65 lakh square feet in FY24, with robust growth of 35%,YoY. In line with the robust sales of inventory, ORL reported pre-sales of ₹3,945 crore (FY23: ₹2,364 crore) and collection of ₹4,023 crore (FY23: ₹2,063 crore) in FY24. The same is expected to sustain in FY25 driven by robust project launch pipeline, likely healthy sales velocity in the upcoming launches, backed by continued end-user demand.

On account of healthy sales and collection, ORL has continued to post strong committed receivables ratio (committed receivables from sold units to outstanding debt plus balance construction cost) at 84% for ongoing project. This apart, ORL's liquidity position remained strong with availability of cash and cash equivalent of ₹1,382.08 crore as on June 30, 2024, and unutilised working capital facilities. Owing to deleveraging, the company's capital structure also improved to 0.18x as on March 31, 2024 compared to 0.32x as on March 31, 2023. The company's debt is expected to increase in FY25. However, the capital structure marked by overall gearing is expected to remain comfortable.

Ratings also consider ORL's diversified operations across segments including residential, commercial, retail, and hospitality. The performance of key segments improved and remained healthy in FY24 and Q1FY25. CARE Ratings Limited (CARE Ratings) expects the same to sustain in FY25. The occupancy in commercial leased assets improved to 78% in FY24 as against 74% in FY23, which further improved to 88% (excluding newly launched commercial project) in Q1FY25.

For retail mall and hospitality segment, the occupancy remained healthy at above 95% and 80%, respectively.

Ratings continue to derive strength from the experienced promoters with a well-established brand and a proven track record of executing real estate projects in the Mumbai Metropolitan Region (MMR).

However, rating strengths are partially offset by the geographical concentration risk due to the restricted presence of the business operations in MMR, although the company is planning to expand in new geographies.
Rating strengths are further tempered by the inherent risks associated with the execution of large-scale projects amid the cyclical nature of the real estate industry.

CARE Ratings has withdrawn the outstanding rating assigned to the non-convertible debenture (NCD) (ISIN: INE093I07041), as the company has repaid the NCD in full and there is no amount outstanding under the instrument as on date.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Net debt-free position of the company at a consolidated level on a sustained basis.

Negative factors

- Moderating financial risk profile of the company with an overall gearing ratio above 0.30x at a consolidated level on a sustained basis.
- Committed receivables coverage to balance the project (residential) cost and outstanding debt if less than 75% on sustained basis.

Analytical approach: Consolidated
CARE Ratings has adopted consolidated approach for analysing ORL. The subsidiaries/associates/joint ventures (JV) along with the parent company, ORL, have been consolidated considering being under a common management and having managerial, operational, and financial linkages. The list of entities whose financials have been consolidated are mentioned in **Annexure-6.**

Outlook: Stable
The stable outlook reflects CARE Ratings' expectation for the sustenance of strong performance, marked by strong sales velocity, robust collections, low reliance on external debt, and strong liquidity. The expectation is attributable to the established brand image in MMR, supported by continued end-user demand in the real estate industry.

Detailed description of key rating drivers:

Key strengths

Improved scale of operation with healthy profitability margins
In FY24, ORL's revenue improved to ₹4,495.79 crore as against ₹4,192.58 crore in FY23. ORL has four revenue drivers, Residential, Rental, Hospitality, and Property Management Services (PMS). Residential segment contributed around 82% to the total revenue followed by rental, hospitality, and PMS. In FY24, ORL witnessed steady revenue growth within residential segment. However, major growth was witnessed in leasing segment driven by increase in occupancy. Going ahead, revenues are expected to further increase due to new project launches and commencement of rental income of new commercial project, 'COMMERZ III', which contributed around ₹65 crore in Q1FY25.

ORL has reported healthy operating margin from investments with overall operating margin of 54% in FY24 (FY23: 50%). The increase in operating margins is attributable to increased realisation in residential projects and increased occupancy.

Diversified portfolio having a mix of residential, commercial, and hospitability segments
ORL has diversified operations across segments including residential, commercial, retail, and hospitality. The performance of key segments improved and remained healthy in FY24 and Q1FY25. CARE Ratings expects the same trend to sustain in FY25. The occupancy from leased assets is improved to 78% in FY24 as against 74% in FY23. In Q1FY25, there is a significant traction in occupancy level to 88% (excluding newly launched commercial project) on the back of healthy demand. This apart, ORL commenced operation of commercial project, named 'COMMERZ III', having total leasable area of 23.20 lsf, leased out about 54% in Q1FY25 and booked revenue of ₹66 crore. For retail mall, occupancy improved to 97% in FY24 (FY23: 96%) and 99% in Q1FY25. In hospitality segment, occupancy has stabilised to around 80%-85% and RevPAR grew by 13.46% to ₹10,704 crore in FY24 as against ₹9,434 crore in FY25.

Healthy cashflow from residential segment and satisfactory construction progress
On a consolidated basis, ORL sold an area of 10.65 lakh square feet (lsf, FY23: 7.87 lsf) and further, in Q1FY25, it sold 2.09 lsf area in FY24. In FY24, ORL reported pre sales of ₹3,945 crore (FY23: ₹2,364 crore) and collection of ₹4,023 crore (FY23: ₹2,063 crore). As on June 30, 2024 , ORL sold about 62% of the total launched project, demonstrating strong sales momentum. Of the total area sold, about 97% of the area is registered indicating minimal likelihood of cancellation aiding to the steady cash flow. The same is expected to sustain in FY25 driven by robust project launch pipeline and likely healthy sales velocity in the upcoming launches, backed by continued end-user demand.

ORL has seven projects under the execution phase, comprising residential projects on June 30, 2024. Of the total project cost, the company has incurred around 53% cost as on June 30, 2024.

Favourable financial risk profile and robust debt coverage indicators

On a consolidated basis, ORL's financial risk profile and debt coverage indicators continue to remain favourable in FY24 and Q1FY25 due to improvement in overall gearing to 0.18x as on March 31, 2024, compared to 0.32x as on March 31, 2023 and further as on June 30, 2024, it has improved to 0.15x. The improvement in overall gearing was considering prepayment of debt and accreditation of profits to net worth. Capital structure is expected to remain comfortable in medium term.

Considering healthy sales and collection, ORL has continued to post strong committed receivables ratio (committed receivables from sold units to outstanding debt plus balance construction cost), which improved and remained comfortable at 84% for ongoing project. The same is expected to remain strong given healthy sales velocity and low leverage.

Experienced promoter and well-established brand in the real estate industry

ORL is promoted by Vikas Oberoi (first generation), who is also its Chairman and Managing Director. Earlier, the company was known as Kingston Properties Private Limited. The promoter has over four decades of experience in executing real estate projects in the MMR. The promoter and the promoter group hold a 67.70% stake in the company as on June 30, 2024. The company's day-to-day operations are managed by a team of qualified and experienced professionals. Over the years, the company has executed several projects in the residential, commercial, retail, and hospitality segments. With a presence of around four decades in the real estate industry with the delivery of high-end luxury projects in the MMR, the company has established strong brand value and has a prominent presence in the city. As on June 30, 2024, the company has developed 162 lakh sq ft (lsf, carpet area) of space and 87 lsf (carpet area) is under implementation through its wholly owned subsidiaries and group companies.

Key weaknesses

Geographical concentration associated with the presence in a single city

ORL has operations in the MMR through its wholly owned subsidiaries and group companies. Thereby, its operations are highly exposed to the vagaries of micro-market forces of the region. ORL is exploring micro-markets near the MMR, such as Thane. The company plans to enter new micro real estate markets such as NCR and Bengaluru, wherein, largely redevelopment projects are to be undertaken. The establishments in new geographies, which is yet to be seen, also exposes ORL to market risk to a certain extent. CARE Ratings opines that with its presence of over four decades in the real estate industry and the large-sized executions in the MMR, ORL is better placed among the existing players in the said region. As a result, the geographical concentration risk is mitigated to a certain extent.

Inherent risk associated with execution of large-scale projects amid cyclical nature of real estate industry

ORL has seven projects under the execution phase, comprising residential projects on June 30, 2024. Of the total project cost, the company has incurred around 53% cost as on June 30, 2024. These projects are located in MMR and Thane. Additionally, there are around seven upcoming projects in these locations, including extensions or additional phases of the ongoing projects. The company plans to enter new micro real estate markets, such as those of Thane, Pune, the NCR, and Bengaluru, over the near-to-medium term. The company's operations are exposed to project execution risk and the inherent risk associated with the execution of large-scale projects for the remaining part of the development. The demand of the real estate sector is linked to the overall economic prospects of the country. The cyclicality associated with economic outlook, interest rates, and metal prices, among others, also render the real estate sector towards cyclicality.

Liquidity: Strong

ORL's strong liquidity position is characterised by availability of cash and cash equivalent of ₹1,382.08 crore at a consolidated level, which is sufficient to meet its FY25 debt obligations. This apart, the company has unutilised CP of ₹300 crore, which provides additional liquidity for operational purposes. ORL has strong committed receivables ratio of 84% as on June 30, 2024, which majorly mitigates construction risk, as the project majorly depends on customer advances.

Assumptions/Covenants

Name of the Instrument	Detailed Explanation
A. Financial covenants – Bank facilities	
Fixed asset cover ratio (LT/ST)	1.50x (to be tested on an annual basis based on audited results)
Total debt/tangible net worth on a consolidated basis (LT/ST)	0.90x (to be tested on an annual basis based on audited results)
Financial covenants – Non-convertible debentures	
Security cover	Minimum security cover of 1.50x to be maintained at all times until the final settlement date
Debt-to-equity ratio	Should not exceed 0.90x in the term of the debentures.
B. Non-financial covenants	
Ownership	Vikas Oberoi will hold (directly or indirectly) a minimum 51% unencumbered stake in the issuers at all times, throughout the term of the debentures.
Brand name	The 'Oberoi' name will remain part of the issuer's name until the final settlement date.

Environment, social, and governance (ESG) risks

The real estate sector is characterised with increased credit risk factors due to the high compliance costs and operational expenses stemming from more stringent environmental standards. Delays in securing environmental clearances for projects pose potential risks to business operations, impacting creditworthiness.
ORL has an ongoing focus on strengthening its compliance of ESG parameters and resultantly it has taken initiatives for efficiently managing ESG risks. The company has also been awarded LEED certificates by U.S Green Building Council (USGCB) for four commercial projects – Commerz II, Commerz III, Oberoi International School- JVLR, and Oberoi Mall, and for residential projects such as Three Sixty West, Worli, and Sky City Borivali – Residential Towers. ORL has a ESG committee in place and is increasingly focusing on mitigating the ESG risks.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Consolidation
Withdrawal
Financial Ratios – Non financial Sector
Rating methodology for Real estate sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Realty	Realty	Residential, commercial projects

Incorporated on May 08, 1998, ORL (CIN: L45200MH1998PLC114818; market cap: ₹68,894 crore as on September 25, 2024) is into real estate development, mainly in the MMR. The company operates in the residential, commercial, hospitality, and social infrastructure business segments through its subsidiaries and associates. Till June 30, 2024, through its wholly owned subsidiaries and group companies, ORL has developed around 161 lakh sq ft and has around 87 lakh sq. ft under implementation.

Consolidated

Brief Financials - Consolidated (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	2,693.97	4,192.58	4,495.79
PBILDT	1,203.76	2,111.79	2,429.98
PAT	1,047.10	1,904.55	1,926.60
Overall gearing (times)	0.27	0.32	0.18
Interest coverage (times)	5.58	7.38	7.90

A: Audited UA: Unaudited; Note: these are latest available financial results
Note: Financials are classified per CARE Ratings' internal standard

Standalone

Brief Financials - Standalone (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	1,012.48	3,240.06	3,302.16
PBILDT	513.37	1,698.83	1,852.48
PAT	381.87	2,332.60	1,477.28
Overall gearing (times)	0.24	0.30	0.18
Interest coverage (times)	4.40	7.01	6.82

A: Audited UA: Unaudited; Note: these are latest available financial results
Note: Financials are classified per CARE Ratings' internal standard

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial paper-Commercial paper (Standalone)		Not yet placed	-	-	300.00	CARE A1+
Debentures-Non-convertible debentures	INE093I07041	16-Dec-2021	6.40	16-Dec-2024	-	Withdrawn
	INE093I07058	16-Dec-2021	6.80	16-Dec-2025	230.00	CARE AA+; Stable
Debentures-Non-convertible debentures	-	Not Yet placed	-	-	1,500.00	CARE AA+; Stable
Fund-based - LT-Term loan		-	-	31-Jan-2027	590.29	CARE AA+; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	300.00	CARE AA+; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Commercial paper-Commercial paper (Standalone)	ST	300.00	CARE A1+	-	1)CARE A1+ (28-Mar-24) 2)CARE A1+ (05-Sep-23)	1)CARE A1+ (06-Sep-22)	1)CARE A1+ (17-Aug-21)
2	Fund-based/Non-fund-based-LT/ST	LT/ ST	-	-	-	-	-	1)Withdrawn (22-Nov-21) 2)CARE AA+; Stable / CARE A1+ (17-Aug-21)
3	Debentures-Non-convertible debentures	LT	-	-	-	-	1)Withdrawn (13-Apr-22)	1)CARE AA+; Stable (06-Dec-21) 2)CARE AA+; Stable (17-Aug-21)
4	Debentures-Non-convertible debentures	LT	-	-	-	Withdrawn	1)CARE AA+; Stable (06-Sep-22)	1)CARE AA+; Stable (06-Dec-21)
5	Debentures-Non-convertible debentures	LT	230.00	CARE AA+; Stable	-	1)CARE AA+; Stable (28-Mar-24) 2)CARE AA+; Stable (05-Sep-23)	1)CARE AA+; Stable (06-Sep-22)	1)CARE AA+; Stable (06-Dec-21)
6	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC /BG	LT/ ST	300.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (28-Mar-24) 2)CARE AA+; Stable / CARE A1+ (05-Sep-23)	1)CARE AA+; Stable / CARE A1+ (06-Sep-22)	1)CARE AA+; Stable / CARE A1+ (25-Feb-22)
7	Fund-based - LT-Term loan	LT	590.29	CARE AA+; Stable	-	1)CARE AA+; Stable (28-Mar-24)	-	-
8	Debentures-Non-convertible debentures	LT	1,500.00	CARE AA+; Stable	-	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial paper-Commercial paper (Standalone)	Simple
2	Debentures-Non-convertible debentures	Simple
3	Fund-based - LT-Term loan	Simple
4	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

S. No	Name of entity	Extent of Consolidation	Rationale for Consolidation
1	Kingston Hospitality and Developers Private Limited	Full	Strong operational & financial linkages
2	Kingston Property Services Limited	Full	Strong operational & financial linkages
3	Incline Realty Private Limited	Full	Strong operational & financial linkages
4	Expressions Realty Private Limited	Full	Strong operational & financial linkages
5	Perspective Realty Private Limited	Full	Strong operational & financial linkages
6	Sight Realty Private Limited	Full	Strong operational & financial linkages
7	Integrus Realty Private Limited	Full	Strong operational & financial linkages
8	Encase Realty Private Limited	Full	Strong operational & financial linkages
9	Buoyant Realty LLP	Full	Strong operational & financial linkages
10	Astir Realty LLP	Full	Strong operational & financial linkages
11	Pursuit Realty LLP	Full	Strong operational & financial linkages

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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