

## Oberoi Realty Limited

February 25, 2022

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	300.00	CARE AA+; Stable / CARE A1+ (Double A Plus; Outlook: Stable/ A One Plus)	Assigned
<b>Total Bank Facilities</b>	<b>300.00</b> <b>(Rs. Three Hundred Crore Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Oberoi Realty Limited (ORL) derive strength from the experienced promoters possessing vast track record in the 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 the ongoing COVID-19 pandemic, reported improvement in the overall sales in FY21 (refers to the period April 01 to March 31) as compared with FY20. Furthermore, the improvement in the overall sales continues in 9MFY22 (refers to the period April 01 to December 31) as compared with 9MFY21. 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 (TOL/TNW) in FY21 and 9MFY22.

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

ORL's few projects have witnessed slow progress in terms 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 a key rating monitorable.

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

### Rating Sensitivities

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

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

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

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

### Detailed description of the key rating drivers

#### **Key Rating Strengths**

##### ***Experienced promoter possessing vast experience in the real estate industry***

ORL is promoted by Mr 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 three decades of experience in executing real estate projects in MMR. The promoter and the 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 professionals. Over the years, the company has executed several projects in residential, commercial and hospitality segments.

##### ***Well-established brand with proven track of execution of real estate projects***

ORL's business portfolio comprises investment and development properties. These properties are majorly situated in the 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 the investment portfolio, resulting into stable cashflow. The stability of cashflow from investment portfolio has been impacted in the past two years due to the onset of COVID-19 pandemic.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

ORL majorly executes real estate projects under development properties segment with whole and/or majority shareholding. However, in case of a 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 which includes projects executed through its wholly owned subsidiaries and group companies.

During FY21, the company launched two new projects – Elysian Tower-A at Oberoi Garden City, Goregaon East, Mumbai and Sky City, Tower F at Borivali East, Mumbai. Furthermore, during 9MFY22, the company launched Tower-B of Elysian Project. 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***

On a consolidated basis, ORL 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 the revenue. The company reported a rental income of Rs.323 crore in FY21 as compared with Rs.369 crore in FY20.

The hospitality segment reported subdued performance with income of Rs.34 crore in FY21 as compared with Rs.134 crore in FY20.

On the contrary, in FY21, the company reported improvement in the operational performance in development properties (i.e., residential real estate) segment.

The company sold 10.65 lakh square feet (RERA carpet area) area in FY21 as compared with approximately 4.02 lakh square feet (RERA carpet area) in FY20. Booking value increased to Rs.3,280 crore in FY21 as compared with Rs.1,259 crore in FY20 on account of launch of reduction in stamp duty in Maharashtra and revival of demand in the residential segment. Furthermore, the company reported improvement in collection and booking value in 9MFY22 on y-o-y basis owing to continued robust demand prospects of residential projects in Mumbai coupled with movement in construction activities in the on-going projects.

#### ***Favourable financial risk profile and robust debt coverage indicators***

ORL continues to report favourable financial risk profile and debt coverage indicators in FY21. The overall gearing ratio of the company (consolidated) marginally improved to 0.16 times as on March 31, 2021 as compared with 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 non-convertible debentures (NCDs) at lower interest rate. Despite dip in the revenue in FY21, gross cash accruals (GCA) of the company marginally increased on account of lower interest and finance expenses. TOL/TNW of the company continues to be favourable at 0.28 times as on March 31, 2021.

Committed receivables as percentage of balance cost and outstanding debt improved to 85% as on December 31, 2021, as compared with 83% as on September 30, 2021. Furthermore, the revenue from development properties is envisaged to increase on account of completion of few projects where around 75%-80% of the total cost is already incurred as on December 31, 2021.

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 MMR. The company has a 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 the 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 consisting of residential, commercial and hotel. These projects are located in MMR and Thane. The company is in the 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 the 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 the project execution risk and the inherent risk associated with execution of large-scale projects.

ORL's few projects have witnessed slow progress in terms 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 a key rating monitorable.

Apart from the real estate business, the company 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 the ongoing COVID-19 pandemic. Going forward, improvement in the performance of hotel and rental business would be the key rating monitorable.

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

**Liquidity: Strong**

ORL, at consolidated level, has free cash and cash equivalent of around Rs.1,000 crore as on December 31, 2021, un-availed Commercial paper programme of Rs.300 crore, and average utilisation of Overdraft limit continues to be in the range of 65%-70% imparting strong liquidity support towards servicing of the debt obligations aggregating Rs.965 crore payable in FY22. The overall gearing ratio of the company stood at 0.16 times as on March 31, 2021, demonstrating financial flexibility.

**Analytical approach: Consolidated**

CARE Ratings Ltd has adopted consolidated approach for analysing ORL. The subsidiaries/associates/joint ventures along with the parent company, ORL, have been consolidated on account of being under a common management and having operational and financial linkages. The list of entities whose financials have been consolidated are mentioned in Annexure 4. For credit enhanced ratings, CARE Ratings Ltd has applied its criteria on the rating of credit enhanced debt.

**Applicable Criteria**

[CARE's criteria on assigning Outlook and Credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology: Consolidation](#)

[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:**

ORL (CIN: L45200MH1998PLC114818; Market Cap: Rs.32,455.14 crore as on February 18, 2022) incorporated on May 08, 1998, is into real estate development majorly in the Mumbai Metropolitan Region. The company operates into residential, commercial, hospitality, and social infrastructure business segment through its subsidiaries/associates. So far, the company through its subsidiaries, has developed 118.91 Isf and has 218.07 Isf (incl. 22.82 Isf in associate) under implementation.

Brief Financials (Rs. crore)-Consolidated	FY20 (Audited)	FY21 (Audited)	9MFY22 (Un-Audited)
Total operating income	2,282.79	2,089.72	1909.48
PBILDIT	1,171.06	1,105.34	1107.32
PAT	689.33	739.29	814.74
Overall gearing (times)	0.18	0.16	-
Interest coverage (times)	7.06	7.68	20.34

Note: - Financials have been classified as per CARE Ratings Ltd'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 4

**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
LT/ST Fund-based/non-fund-based-WCDL/OD/LC/BG	-	-	-	-	300.00	CARE AA+; Stable / 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+ (17-Aug-21)	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*	-	-	1)Withdrawn (22-Nov-21) 2)CARE AA+; Stable / CARE A1+ (17-Aug-21)	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	170.00	CARE AA+; Stable	1)CARE AA+; Stable (06-Dec-21) 2)CARE AA+; Stable (17-Aug-1)	1)CARE AA+; Negative (29-Sep-20)	-	-
4	Debentures-Non-Convertible Debentures	LT	1000.00	CARE AA+; Stable	1)CARE AA+; Stable (06-Dec-21)	-	-	-
5	LT/ST Fund-based/non-fund-based	LT/ST	300.00	CARE AA+; Stable / CARE A1+				

**Annexure-3: Detailed explanation of covenants of the rated facilities**

Particulars	Detailed explanation
<b>Financial covenants</b>	
Fixed Asset Cover Ratio	1.50x (to be tested on an annual basis based on audited results)
Total Debt/Tangible Net Worth on Consolidated Basis	0.90x (to be tested on an annual basis based on audited results)

**Annexure- 4: List of subsidiaries of ORL as on December 31, 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.	LT/ST Fund-based/non-fund-based	Simple
2.	Commercial Paper	Simple
3.	Non-Convertible Debentures	Simple

**Annexure 5: Bank Lender Details for this Company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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**About CARE Ratings Limited:**

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careedge.in](http://www.careedge.in)**