

## Oberoi Realty Limited

April 26, 2019

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Proposed Short-term Commercial paper	300.00 (Enhanced from Rs 100 crore)	<b>CARE A1+</b> <b>(A One Plus)</b>	<b>Reaffirmed</b>
<b>Total facilities</b>	<b>300.00</b>		

*Details of instruments/facilities in Annexure-1*

### Other Ratings

Instruments/Facilities	Amount (Rs. crore)	Rating
Long Term/Short term bank facilities (Line of credit)	300	CARE AA+; Stable

### Detailed Rationale & Key Rating Drivers

The ratings of Oberoi Realty Limited (ORL) continues to derive strength from the experienced and professional management of ORL, the group's robust business risk profile marked by its established brand and strong market position in the real estate market of Mumbai and its strong financial risk profile supported by low leverage and healthy cash accruals. The rating also favorably factors revenue visibility emanating from healthy portfolio of leased assets and an operating hotel as well as its alliance with established players for execution of various projects.

Further the rating also considers significant project development plans and the concomitant project execution and sales risk, high dependence on advances from the customers to fund the projects and ORL's concentration in premium housing segment which is susceptible to economic slowdown.

ORL's ability to launch the forthcoming projects in a timely manner and achieve healthy sales volumes as well as collections, while maintaining a comfortable capital structure amidst a challenging economic backdrop are the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

**Experienced promoters supported by a strong management team:** Mr. Vikas Oberoi (Promoter) has an experience of over 25 years in the real estate industry and is involved in the formulation of corporate strategy and planning, overall execution and management, and concentrates on the growth and diversification plans of the company.

**ORL's successful track record of project management and execution:** The group has completed 40 projects and has concrete plans for 26 ongoing and planned projects with an estimated area of approximately 28 million square feet to be executed over the next three-four years.

**Low Financial Leverage and healthy cash accruals:** The company has primarily funded its operations through equity contribution from promoters, internal accruals and customer advances and shown limited reliance on borrowed funds. The company has further raised equity of Rs.1200.00 crore in June, 2018 through QIP route. Overall gearing stood comfortable at 0.28x as on March 31, 2018 (0.24x P.Y). Further overall gearing as on December 31, 2018 was 0.20x (0.29x P.Y).

**Cash flow stability from rental properties and operating hotel in Mumbai:** The annuity-like revenue of the company in the form of lease rentals and revenue from hotel operations together accounted for around 29% of the total operating revenue of the company in FY17 as well as FY18. During 9MFY19 company has received rental income of Rs. 333.57 crore from mall, commercial offices and hotel. As on December 31, 2018 mall had occupancy levels of 97% and hotel had occupancy levels of 81.83%.

#### Key Rating Weaknesses

**Execution risk in large number of upcoming projects:** The Company has received pre-construction approvals for all the projects which it has launched. The ability of group to maintain healthy saleability of new projects given the high reliance on customer advance and considerably lower requirement of external funds for projects is critical from credit perspective.

**Geographic Concentration risk:** ORL's primary area of operation is concentrated in the Mumbai Metropolitan region which exposes the company to a geographic concentration risk. The premium projects comprise of the majority portion of the total sales value.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Cyclicality in the Real Estate Industry:** The real estate industry is highly cyclical in nature and price movements in the real estate market causes fluctuations in the property market. This is due to the changes in the economic, demographic and policy changes in the economy.

**Analytical approach:** CARE has followed consolidated approach. The subsidiaries/associates along with the parent company, ORL, have been consolidated on account of operational and financial linkages.

**Liquidity Analysis:** ORL has strong liquidity as characterized by cash and bank balance (including liquid investment) of Rs. 973.79 crore as on December 31, 2018. ORL also receives around Rs. 125 every quarter from rental income. The company has repayment obligation of Rs. 250 crore in FY20. Further, ORL has comfortable gearing levels (0.28 as on March 31st 2018) which provide considerable financial flexibility to raise debt.

#### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

[CARE's methodology for Short Term Ratings](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

#### About the Company

Oberoi Realty Limited (ORL, CIN No. L45200MH1998PLC114818) is the flagship company of Oberoi Realty Group. Its promoter and promoter group have been developing real estate since 1983, initially as a proprietorship firm and, since 1993, through various project-specific entities. ORL (formerly known as Kingston Properties Private Limited), was incorporated in 1998. In 2006, the principal business operations of various group entities were consolidated under ORL and following the consolidation, majority of real estate development activity has been executed by ORL. The principal business of ORL is development of residential projects, however; the group has diversified presence in retail, commercial, hospitality and social infrastructure projects. During 9MFY19, ORL has reported revenue of Rs. 2063.95 crore and PAT of Rs. 661.17 crore.

#### ORL Consolidated

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	1155.94	1290.21
PBILDT	679.61	804.13
PAT	378.59	458.80
Overall gearing (times)	0.24*	0.28
Interest coverage (times)	9.43	7.33

A: Audited, NM: Not meaningful

\* including the debt of Oasis Realty guaranteed by the ORL

#### Status of non-cooperation with previous CRA:

Not Applicable

#### Any other information:

Not Applicable

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

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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

#### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of

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#### Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper	-	-	7 days-365 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Commercial Paper	ST	300.00	CARE A1+	-	1)CARE A1+ (05-Jul-18)	1)CARE A1+ (21-Sep-17)	1)CARE A1+ (30-Aug-16)
2.	Fund-based/Non-fund-based-LT/ST	LT/ST	300.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (05-Jul-18)	1)CARE AA+; Stable / CARE A1+ (06-Nov-17)	-

#### Annexure 3: Details of Entities Consolidated

Particulars
Oberoi Realty Limited
Expressions Realty Private Limited
Incline Realty Private Limited
Integrus Realty Private Limited
Kingston Hospitality and Developers Private Limited
Kingston Property Services Limited
Oberoi Constructions Limited
Oberoi Mall Limited
Perspective Realty Private Limited
Sight Realty Private Limited
I-Ven Realty Limited
Sangam City Township Private Limited
Oasis Realty

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