Oberoi Realty Limited
September 21, 2017

Ratings

Facilities	Amount (Rs. Crore)	Rating[1]	Rating Action
Proposed Short-term Commercial paper	100	CARE A1+ [A One Plus]	Reaffirmed
Total facilities	**100**		

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 39 projects covering approximately 5.80 million square feet of total carpet area and has concrete plans for 16 ongoing and planned projects with an estimated carpet area of approximately 12.30 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 Consolidated Adj. overall gearing stood comfortable at 0.24x as on March 31, 2017 (0.12x 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% and 33% of the total operating revenue of the company in FY17 and Q1FY18 respectively (22% in FY16).

Industry Prospects

The real estate sector continues to witness slowdown in 2016 on account of the overall weak sentiments and demonetization. Sales have remained tepid; however, prices have remained high or stable. The lending from banks to this sector is expected to be lower even in FY18. The Government has also taken initiatives such as relaxation in FDI and REIT regulations, passage of Real Estate bill 2016 etc. However, several other challenges currently faced by the industry such as clearances, land acquisition, project delay, liquidity issues, slowing sales and pile up of inventory, will have to be addressed for the recovery of the sector.

Key rating weakness

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

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

group to maintain healthy salability 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 region which exposes the company to a geographic concentration risk. The premium projects comprise of the majority portion of the total sales value.

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: Consolidated Approach is adopted.

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

Background

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.

As of June 30, 2017, the group has 16 ongoing and planned projects with an estimated carpet area of approximately 12.30 million square feet to be executed over the next three-four years.

Consolidated

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)	Q1FY18 (A)
Total operating income*	1460.23	1164.40	270.89
PBILDT	720.38	620.71	145.68
PAT	435.28	378.81	91.21
Adj. Overall gearing (times)**	0.12	0.24	
Interest coverage (times)	NM	NM	NM

A: Audited, NM: Not meaningful
* includes share of profit from JVs of Rs.3.14 cr.
** 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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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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 its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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	-	-	-	100.00	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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Commercial Paper	ST	100.00	CARE A1+	-	1)CARE A1+ (30-Aug-16)	1)CARE A1+ (20-Jul-15)	1)CARE A1+ (23-Sep-14) 2)CARE A1+ (21-Apr-14)

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CIN - L67190MH1993PLC071691