

Well placed amid Mumbai headwinds [EXTRACT]

■ We initiate coverage with a Buy rating

Oberoi Realty (Oberoi) is a premium developer with diversified exposure to Mumbai (residential, office, retail and hotel). We believe the company's prime landbank, core presence in Mumbai, net cash reserve of Rs15.6bn, growing rental asset/income and premium brand positioning differentiates it from the competition.

■ Good proxy to Mumbai market; slow now, but long-term demand intact

While affordability issues after the sharp price hikes, FSI policy uncertainty and construction approval delays amid tight liquidity have dampened near-term pre-sales, we believe the Mumbai market is resilient with long-term demand potential (rising per capita income, and an increase in nuclear/dual-income families and migrants). We think Oberoi is well placed to grow due to its balanced portfolio (development and lease assets) and net cash reserve.

■ Potential triggers: efficient cash utilisation and strong Mumbai recovery

We expect the key catalysts to be: 1) net cash utilisation of Rs15.6bn for large land acquisition/joint developments at distressed prices; 2) a strong residential recovery in Mumbai; and 3) good corporate governance and benefits accruing to Oberoi from the monetisation of the co-founder's prime land holding (0.2msf) in Worli.

■ Valuation: Rs300 price target; an attractive 42% discount to NAV

We base our price target on a 25% discount to our NAV estimate of Rs400 to factor in the risk of a near-term slowdown in Mumbai. We believe a high cash surplus (Rs47/share) and rental assets (Rs59/share) will drive outperformance and position Oberoi as a relatively defensive play in the current risk-averse environment.

Highlights (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Revenues	7,836	9,843	12,118	16,989	21,918
EBIT (UBS)	4,582	5,416	6,638	9,891	12,381
Net Income (UBS)	4,574	5,176	5,934	7,886	9,800
EPS (UBS, Rs)	14.90	16.87	19.34	25.70	31.93
Net DPS (UBS, Rs)	0.00	0.00	1.00	1.00	1.25

Profitability & Valuation	5-yr hist av.	03/11	03/12E	03/13E	03/14E
EBIT margin %	54.2	55.0	54.8	58.2	56.5
ROIC (EBIT) %	-	32.8	33.2	40.7	41.3
EV/EBITDA (core) x	-	17.2	11.7	8.1	6.7
PE (UBS) x	-	15.1	11.9	9.0	7.2
Net dividend yield %	-	0.0	0.4	0.4	0.5

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs230.90 on 15 Aug 2011 23:39 HKT

Ashish Jagnani

Analyst

ashish.jagnani@ubs.com

+91-22-6155 6061

Global Equity Research

India

Real Estate

12-month rating **Buy**
Prior: *Not Rated*

12m price target Rs300.00/US\$6.62

Price Rs230.90/US\$5.09

RIC: OEBO.BO BBG: OBER IB

16 August 2011

Trading data (local/US\$)

52-wk range	Rs302.00-215.10/US\$6.81-4.73
Market cap.	Rs75.8bn/US\$1.67bn
Shares o/s	328m (ORD)
Free float	22%
Avg. daily volume ('000)	9
Avg. daily value (m)	Rs2.0

Balance sheet data 03/12E

Shareholders' equity	Rs38.7bn
P/BV (UBS)	2.0x
Net Cash (debt)	Rs4.85bn

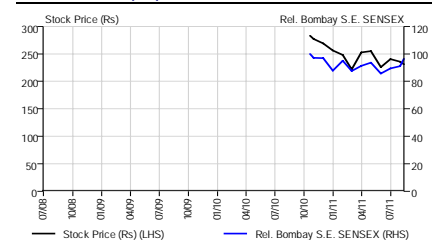
Forecast returns

Forecast price appreciation	+29.9%
Forecast dividend yield	0.4%
Forecast stock return	+30.3%
Market return assumption	13.3%
Forecast excess return	+17.0%

EPS (UBS, Rs)

	03/12E		03/11	
	From	To	Cons.	Actual
Q1E	-	-	-	-
Q2E	-	-	-	-
Q3E	-	-	-	-
Q4E	-	-	-	-
03/12E	-	19.34	-	-
03/13E	-	25.70	-	-

Performance (Rs)



Source: UBS

www.ubs.com/investmentresearch

This report has been prepared by UBS Securities India Private Ltd

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 9.

UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

This is an extract from our initiation of coverage report published on 16 August 2011. For more detail, please refer to the longer report.

Investment Thesis

We initiate coverage of Oberoi Realty (Oberoi) with a Buy rating and a price target of Rs300, which is based on a 25% discount to our NAV estimate of Rs400. We believe Oberoi's diversified asset exposure to Mumbai, prime landbank, growing rent-yielding assets and net cash reserve of Rs15.6bn in a tight liquidity environment differentiates the company from its peers. With 53% of our NAV based on projects under construction, cash reserves and rent-yielding assets, we believe Oberoi is best placed to outperform amid the current headwinds, and we view the stock as a relatively defensive play.

While Mumbai's property market has slowed and high interest rates may remain a near-term overhang, we believe long-term demand potential is intact with increasing per capita income, and a rise in nuclear/dual income families and migrants. We view Oberoi as a proxy to the Mumbai property market, given its good mix of development/rental assets, premium positioning and capital base that provides the flexibility to tap new acquisition and project opportunities faster. We forecast earnings to record a 23% CAGR over FY11-13, driven by steady rental growth (10%) and high cash flow visibility from ongoing projects. With the shares trading at a 42% discount to NAV (down 18% from the IPO price of Rs283) and a high cash reserve (Rs47/share) and rental assets (Rs59/share) providing support, we see upside potential.

Key catalysts

Efficient cash utilisation

We expect a key catalyst to be the efficient utilisation of cash reserves of Rs15.6bn at the end of Q1 FY12 into new large projects/land acquisitions at distressed prices in order to take advantage of the tight liquidity conditions. We believe large new projects will enhance profitability and cash-flow visibility. The management has reiterated its focus on actively exploring new opportunities in Mumbai and other tier 1 and 2 markets. That said, with land prices still firm, we view the option of the joint-development model as another efficient method to grow in the current environment by leveraging its large cash reserve.

Efficient utilisation of cash reserves of Rs15bn will be a key catalyst

Strong residential recovery in Mumbai

Mumbai's residential and leasing markets have been slow since Q2 FY11, which has dampened sentiment for the whole property sector. However, as Mumbai is traditionally the hub of commercial activity in India, we believe long-term demand potential is intact and we expect residential volume to recover over the next six to nine months, similar to the recovery after the financial crisis of 2008-09.

We believe long-term demand potential is intact

Our view is based on: 1) property prices softening 8-10% in a few pockets of Mumbai (the Lower Parel area) and stabilising in other parts of the city; 2) clarity on the Floor Space Index (FSI) policy and the construction approval process is beginning to emerge; 3) although infrastructure (metro/mono rail

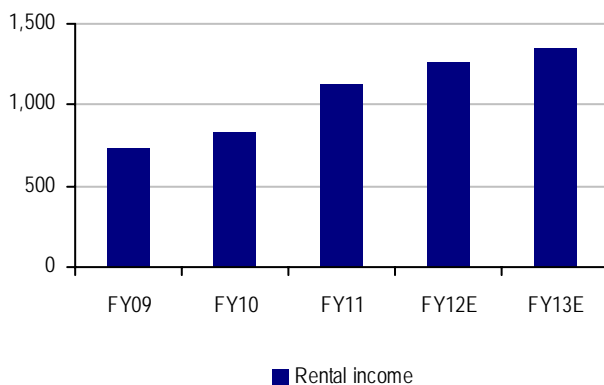
projects, bridge/road connectivity) progress is slow, connectivity is improving; and 4) potential pent-up demand.

Strong cash-flow visibility from rental growth and execution ramp-up

We forecast steady rental growth at a 10% CAGR over FY11-13 from Oberoi's leased asset portfolio: 1) the Commerz project (0.36msf of leased + 0.7msf of office space); and 2) the Oberoi Mall (0.5msf) on growing and healthy occupancy levels of 76% and 92%, respectively, in FY11. The Oberoi Westin Hotel should also record strong revenue growth at a 22% CAGR in FY13E. In addition, we expect increased cash-flow visibility from: 1) the execution of the project pipeline of 11msf for residential and office projects; and 2) good pre-sales at new launches; this should be an important catalysts for the share price.

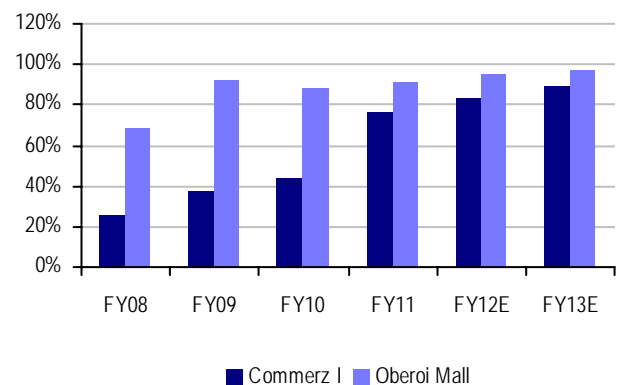
We forecast rentals and occupancy to grow strongly at leased asset portfolio

Chart 1: Commerz I & Oberoi Mall income growth (Rs m)



Source: Company data, UBS estimates

Chart 2: Occupancy levels at Commerz I & Oberoi Mall



Source: Company data, UBS estimates

Superior disclosure and corporate governance

We believe management's efforts to enhance disclosure standards and provide transparency on revenue recognition significantly differentiates the company from its peers. Furthermore, good corporate governance standards and the benefit for Oberoi from the likely monetisation of co-founder Vikas Oberoi's prime land holding (two acres) in Worli, Mumbai, will be a share price catalyst, in our view.

Risks

We believe the key risks to our investment thesis are as follows:

- **A prolonged delay in large land acquisitions** could increase the risk of inefficient utilisation of the cash reserve through buying land at high valuations. This may dampen returns and affect sentiment.
- **A fluid political environment.** Regulatory clarity about new FSI policy norms and the premium payable for increased FSI is critical. While this may streamline and speed up the development process, if adopted in the current draft form it could affect Mumbai developers' profitability in the near term.
- **Continued slowdown in Mumbai's real-estate market.** Further approval/environment clearance delays at its Worli, Mulund and Pune (30% of Oberoi's NAV) projects would affect cash-flow visibility.

Policy risks and a slowdown in Mumbai recovery are the key risks

Valuation and basis for our price target

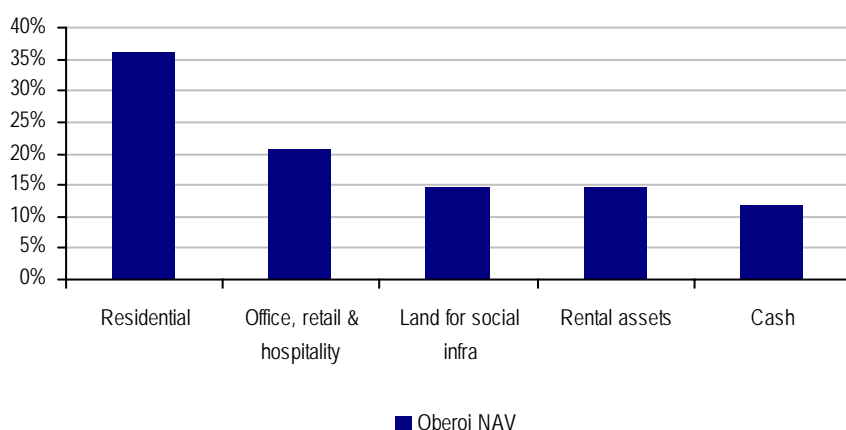
We believe Oberoi's core presence in the Mumbai market, prime landbank, net cash balance sheet, growing rent-yielding assets and strong brand name differentiate the company from its peers. We believe a NAV-based valuation methodology is the most appropriate for Oberoi, as it factors in: 1) the value of the land assets; 2) the scale of development opportunities and the diversified geographic asset mix across different time frames; and 3) execution. We group Oberoi with regional peers, and factoring in the business model risks we expect the stock to trade at a discount to NAV in the future.

Our price target of Rs300 is based on a 25% discount to March 2012E NAV/share of Rs400. While the level of NAV discount is a matter of subjective assessment, we believe a 25% discount to our base-case NAV is fair. Our lower discount versus peers' 25-40% largely factors in: 1) Oberoi's net cash reserve of Rs15.6bn (12% of NAV); 2) large contribution (15% of NAV) from rent-yielding assets with growth potential; 3) strong track record and premium brand franchise; and 4) concerns about a delay in the recovery of Mumbai's property market. Our base-case NAV/share of Rs400 assumes the following: 1) development volume of 18.3msf (including 4msf of land for social infrastructure projects); 2) a 9% cap rate for rent-yielding assets; 3) no price escalations; 4) an average cost of capital of 14%; and 5) a tax rate of 25%.

The shares are trading at an attractive 42% discount. Although the share price has outperformed peers by 10% over the past six months, we see more upside potential based on its net cash balance sheet, superior execution track record and its multi-asset presence in the core Mumbai market with a higher ROCE of 17% in FY11 versus peers at below 10%.

In addition, on a PE basis the stock appears relatively attractive at 12x FY12E PE versus the sector average of 18x, although we believe this metric is unsuitable because of the high volatility of India property earnings.

Chart 3: Oberoi's NAV segment breakdown



Source: UBS estimates

Table 1: NAV breakdown (Rp/share)

Residential	67,615
Office	36,681
Retail/Hospitality	2,097
Development NAV	106,393
Add: Rental yielding assets	19,355
Gross NAV	125,749
Less: Customer advances	(2,860)
Less: Debt o/s	0
Add: Cash	15,640
Add: Land	19,231
Less: Tax	(26,598)
Net NAV	131,162
Shares o/s	328
NAV/Share	400

Source: UBS estimates

We see more upside potential for the share price

Table 2: NAV assumptions

Price escalation	nil
Cost of capital	14%
Tax rate	25%
Development volume (msf)	21
Execution delay	One to two years

Source: UBS estimates

Margin of safety at a 25% discount to our bear-case NAV

Our bear case factors in: 1) five-year development visibility (5msf); 2) values the balance as undeveloped land reserves; and 3) a higher cap rate of 10% for rent-yielding assets. Our bull-case scenario builds in: 1) 10% higher prices; 2) a faster execution cycle for development projects; and 3) faster leasing of commercial assets. We believe this provides a good perspective on NAV downside risks and upside potential.

Table 3: Scenario analysis

(Rs)	Bull case	Bear case
NAV/share	466	312
Upside/downside	17%	-22%

Source: UBS estimates

Table 4: Domestic comparables

Company	Share price (Rs)	Market cap (US\$ m)	Rating	Price target		Base Case		Bear Case		D/E (x) FY12E	P/BV (x) FY12E	PE (x) FY12E	ROE FY12E	ROCE FY12E
				(Rs)	Tgt disc.	NAV	Discount	NAV	Discount					
DLF	201	7,553	Buy	350	-25%	465	-57%	275	-27%	0.80	1.3	18.8	7%	8%
Oberoi Realty	231	1,671	Buy	300	-25%	400	-42%	312	-26%	0.00	2.0	11.9	17%	33%
Unitech	29	1,532	Buy	52	-40%	86	-66%	58	-50%	0.60	0.7	13.6	5%	5%
GPL	693	1,068	Buy	960	-25%	1,275	-46%	672	3%	0.84	4.7	30.6	16%	17%
HDIL	117	895	Buy	218	-35%	335	-65%	233	-50%	0.35	0.4	5.0	10%	10%
Prestige	111	801	Buy	205	-40%	275	-60%	194	-43%	0.46	1.5	12.6	13%	14%
IBREL	82	729	Buy	180	-25%	300	-73%	181	-54%	0.25	0.3	16.2	2%	5%
Phoenix Mills	215	688	Buy	310	-25%	412	-48%	257	-16%	0.55	1.8	26.6	7%	6%
DB Realty	68	367	Buy	153	-45%	279	-76%	240	-72%	0.20	0.5	7.3	7%	11%

Note: Priced as at 15 August 2011. Source: UBS estimates

UBS versus consensus

We are below consensus for FY13 and FY14 revenue, EBITDA and PAT, but above consensus for FY12 revenue and PAT, as we believe the recovery cycle for Mumbai's residential market will take longer

We believe the recovery cycle for Mumbai's residential market will take longer

Table 5: UBS vs. consensus

(Rs m)	FY12			FY13			FY14		
	UBS	Consensus	% variance	UBS	Consensus	% variance	UBS	Consensus	% variance
Revenue	12,118	11,636	4%	16,989	18,373	-8%	21,918	25,153	-13%
EBITDA	6,907	7,031	-2%	10,193	11,320	-10%	12,713	15,830	-20%
PAT	5,934	5,828	2%	7,886	8,555	-8%	9,800	11,370	-14%

Source: Bloomberg, UBS estimates

Sensitivity analysis

Our sensitivity analysis of our NAV valuation is based on 10% higher/lower prices, discount rates of 13-15% and project delays of 12-24 months, and is shown in the table below.

Table 6: Sensitivity analysis

(Rs)	Resultant NAV/share	Base-case NAV/share	Sensitivity
Prices +10%	430	400	8%
Cost of capital -100bp	404	400	2%
Prices - 10%	369	400	-8%
Cost of capital + 100bp	395	400	-2%
Delay of 1 year	370	400	-6%

Source: UBS estimates

Income statement (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Revenues	2,352	5,112	4,254	7,836	9,843	12,118	23.1	16,989	40.2	21,918	29.0
Operating expenses (ex dephn)	(1,134)	(2,537)	(1,780)	(3,164)	(4,190)	(5,211)	24.4	(6,795)	30.4	(9,206)	35.5
EBITDA (UBS)	1,218	2,575	2,474	4,672	5,653	6,907	22.2	10,193	47.6	12,713	24.7
Depreciation	(16)	(19)	(73)	(91)	(237)	(270)	13.9	(303)	12.2	(332)	9.8
Operating income (EBIT, UBS)	1,202	2,555	2,401	4,582	5,416	6,638	22.5	9,891	49.0	12,381	25.2
Other income & associates	122	474	295	218	744	782	5.0	625	-20.0	688	10.0
Net interest	(3)	0	(4)	0	(2)	(2)	0.0	(2)	0.0	(2)	0.0
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	1,321	3,029	2,692	4,800	6,159	7,418	20.4	10,514	41.7	13,067	24.3
Tax	(34)	(69)	(177)	(226)	(983)	(1,484)	50.9	(2,629)	77.2	(3,267)	24.3
Profit after tax	1,287	2,960	2,515	4,574	5,176	5,934	14.6	7,886	32.9	9,800	24.3
Abnormal items (post-tax)	(496)	(8)	8	3	(5)	0	-	0	-	0	-
Minorities / pref dividends	0	0	0	0	0	0	-	0	-	0	-
Net income (local GAAP)	792	2,952	2,523	4,576	5,172	5,934	14.7	7,886	32.9	9,800	24.3
Net Income (UBS)	1,287	2,960	2,515	4,574	5,176	5,934	14.6	7,886	32.9	9,800	24.3
Tax rate (%)	3	2	7	5	16	20	25.3	25	25.0	25	0.0
Pre-abnormal tax rate (%)	3	2	7	5	16	20	25.3	25	25.0	25	0.0
Per share (Rs)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
EPS (local GAAP)	2.58	9.62	8.22	14.91	16.85	19.34	14.7	25.70	32.9	31.93	24.3
EPS (UBS)	4.20	9.64	8.20	14.90	16.87	19.34	14.6	25.70	32.9	31.93	24.3
Net DPS	0.00	0.00	0.00	0.00	0.00	1.00	-	1.00	0.0	1.25	25.0
Cash EPS	4.25	9.71	8.43	15.20	17.64	20.22	14.6	26.68	32.0	33.02	23.7
BVPS	25.82	34.80	42.24	55.69	100.89	118.04	17.0	141.13	19.6	169.82	20.3
Balance sheet (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Net tangible fixed assets	380	446	2,736	3,069	7,581	8,421	11.1	9,229	9.6	9,897	7.2
Net intangible fixed assets	0	7	7	2	9	10	14.9	11	10.0	15	36.4
Net working capital (incl. other assets)	6,548	8,884	9,982	11,146	11,243	12,682	12.8	18,272	44.1	22,511	23.2
Other liabilities	0	0	0	0	0	0	-	0	-	0	-
Operating invested capital	6,928	9,337	12,725	14,217	18,833	21,113	12.1	27,512	30.3	32,423	17.9
Investments	0	3,842	150	790	650	12,779	1865.7	12,375	-3.2	14,470	16.9
Total capital employed	6,928	13,178	12,874	15,007	19,483	33,892	74.0	39,886	17.7	46,893	17.6
Shareholders' equity	8,476	11,421	13,865	18,278	33,117	38,744	17.0	46,323	19.6	55,739	20.3
Minority interests	0	0	0	0	0	0	-	0	-	0	-
Total equity	8,476	11,421	13,865	18,278	33,117	38,744	17.0	46,323	19.6	55,739	20.3
Net debt / (cash)	(1,547)	1,757	(991)	(3,272)	(13,634)	(4,852)	-64.4	(6,436)	32.7	(8,847)	37.4
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	6,928	13,178	12,874	15,007	19,483	33,892	74.0	39,886	17.7	46,893	17.6
Cash flow (Rsm)	03/07	03/08	03/09	03/10	03/11	03/12E	% ch	03/13E	% ch	03/14E	% ch
Operating income (EBIT, UBS)	1,202	2,555	2,401	4,582	5,416	6,638	22.5	9,891	49.0	12,381	25.2
Depreciation	16	19	73	91	237	270	13.9	303	12.2	332	9.8
Net change in working capital	0	(483)	(1,164)	88	(3,090)	(2,439)	-21.1	(5,700)	133.7	(4,239)	-25.6
Other (operating)	0	0	0	0	0	0	-	0	-	0	-
Operating cash flow (pre tax/interest)	1,218	2,091	1,310	4,760	2,564	4,468	74.3	4,493	0.6	8,473	88.6
Net interest received / (paid)	119	473	291	218	743	780	5.0	624	-20.0	686	10.0
Dividends paid	0	0	0	0	0	(307)	-	(307)	0.0	(384)	25.0
Tax paid	(34)	(69)	(177)	(226)	(983)	(1,484)	50.9	(2,629)	77.2	(3,267)	24.3
Capital expenditure	0	(1,926)	(2,294)	(1,673)	(1,746)	(110)	-93.7	(1,000)	809.1	(1,000)	0.0
Net (acquisitions) / disposals	0	0	0	0	0	0	-	0	-	0	-
Other	-	(2,810)	3,108	9,898	150	12,199	8017.4	(334)	-	2,185	-
Share issues	0	0	0	2,861	396	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	807	(2,240)	2,238	15,838	1,124	15,547	1283.7	848	-94.5	6,695	689.9
FX / non cash items	-	(1,064)	510	(13,557)	9,239	(24,329)	-	737	-	(4,284)	-
Balance sheet (inc)/dec in net debt	-	(3,304)	2,748	2,280	10,362	(8,782)	-	1,585	-	2,410	52.1
Core EBITDA	1,218	2,575	2,474	4,672	5,653	6,907	22.2	10,193	47.6	12,713	24.7
Maintenance capital expenditure	(16)	(19)	(73)	(91)	(237)	(270)	13.9	(303)	12.2	(332)	9.8
Maintenance net working capital	0	(483)	(1,164)	88	(3,090)	(2,439)	-21.1	(5,700)	133.7	(4,239)	-25.6
Operating free cash flow, pre-tax	1,202	2,072	1,237	4,669	2,327	4,199	80.4	4,191	-0.2	8,141	94.3

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating

Buy

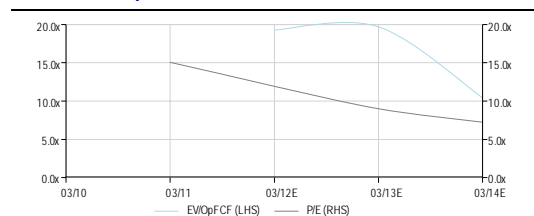
12m price target

Rs300.00

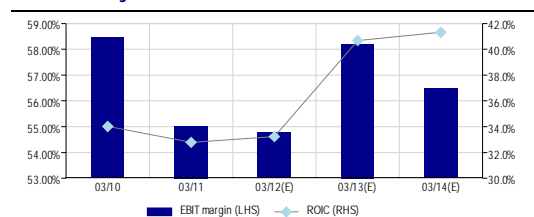
Company profile

Oberoi Realty is a premium Indian developer involved in residential and commercial developments, and has built 34 projects for an aggregate 5msf over the past 30 years. The company is involved in the residential, office, retail, hospitality and social infrastructure segments in Mumbai.

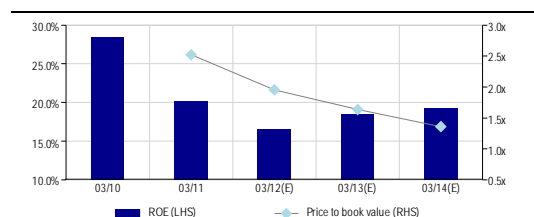
Value (EV/OpFCF & P/E)



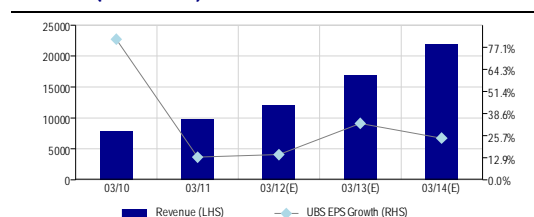
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
P/E (local GAAP)	-	-	15.1	11.9	9.0	7.2
P/E (UBS)	-	-	15.1	11.9	9.0	7.2
P/CEPS	-	-	14.4	11.4	8.7	7.0
Net dividend yield (%)	-	-	0.0	0.4	0.4	0.5
P/BV	-	-	2.5	2.0	1.6	1.4
EV/revenue (core)	-	-	9.9	6.7	4.9	3.9
EV/EBITDA (core)	-	-	17.2	11.7	8.1	6.7
EV/EBIT (core)	-	-	18.0	12.2	8.3	6.9
EV/OpFCF (core)	-	-	NM	19.3	19.7	10.4
EV/op. invested capital	-	-	5.9	4.1	3.4	2.8

Enterprise value (Rsm)	03/10	03/11	03/12E	03/13E	03/14E
Average market cap	-	83,486	75,788	75,788	75,788
+ minority interests	0	0	0	0	0
+ average net debt (cash)	3,631	13,993	5,211	6,795	9,206
+ pension obligations and other	0	0	0	0	0
- non-core asset value	0	0	0	0	0
Core enterprise value	-	97,479	80,999	82,584	84,994

Growth (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue	43.0	84.2	25.6	23.1	40.2	29.0
EBITDA (UBS)	46.8	88.9	21.0	22.2	47.6	24.7
EBIT (UBS)	45.7	90.8	18.2	22.5	49.0	25.2
EPS (UBS)	41.6	81.8	13.2	14.6	32.9	24.3
Cash EPS	42.8	80.2	16.1	14.6	32.0	23.7
Net DPS	-	-	-	-	0.0	25.0
BVPS	40.6	31.8	81.2	17.0	19.6	20.3

Margins (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBITDA / revenue	55.5	59.6	57.4	57.0	60.0	58.0
EBIT / revenue	54.2	58.5	55.0	54.8	58.2	56.5
Net profit (UBS) / revenue	56.5	58.4	52.6	49.0	46.4	44.7

Return on capital (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT ROIC (UBS)	-	34.0	32.8	33.2	40.7	41.3
ROIC post tax	-	32.4	27.5	26.6	30.5	31.0
Net ROE	-	28.5	20.1	16.5	18.5	19.2

Coverage ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
EBIT / net interest	NM	NM	NM	NM	NM	NM
Dividend cover (UBS EPS)	-	-	-	19.3	25.7	25.5
Div. payout ratio (% , UBS EPS)	-	-	-	5.2	3.9	3.9
Net debt / EBITDA	NM	NM	NM	NM	NM	NM

Efficiency ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Revenue / op. invested capital	-	0.6	0.6	0.6	0.7	0.7
Revenue / fixed assets	-	2.7	1.8	1.5	1.9	2.3
Revenue / net working capital	-	1.3	1.3	1.2	1.2	1.1

Investment ratios (x)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
OpFCF / EBIT	0.7	1.0	0.4	0.6	0.4	0.7
Capex / revenue (%)	26.0	21.4	17.7	0.9	5.9	4.6
Capex / depreciation	NM	NM	7.4	0.4	3.3	3.0

Capital structure (%)	5Yr Avg	03/10	03/11	03/12E	03/13E	03/14E
Net debt / total equity	(20.8)	(17.9)	(41.2)	(12.5)	(13.9)	(15.9)
Net debt / (net debt + equity)	(26.2)	(21.8)	(70.0)	(14.3)	(16.1)	(18.9)
Net debt (core) / EV	-	-	14.4	6.4	8.2	10.8

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of Rs230.90 on 15 Aug 2011 23:39 HKT Market cap(E) may include forecast share issues/buybacks.

Ashish Jagnani

Analyst

ashish.jagnani@ubs.com

+91-22-6155 6061

■ Oberoi Realty

Oberoi Realty is a premium Indian developer involved in residential and commercial developments, and has built 34 projects for an aggregate 5msf over the past 30 years. The company is involved in the residential, office, retail, hospitality and social infrastructure segments in Mumbai.

■ Statement of Risk

Key risks for Oberoi include exposure to the Mumbai property market, rising interest rates, a slowdown in economic growth and regulatory risks.

■ Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Required Disclosures

This report has been prepared by UBS Securities India Private Ltd, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	54%	39%
Neutral	Hold/Neutral	39%	35%
Sell	Sell	7%	14%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	33%
Sell	Sell	less than 1%	25%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 June 2011.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

Equity Price Targets have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES

UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with the NASD and NYSE and therefore are not subject to the restrictions contained in the NASD and NYSE rules on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

UBS Securities India Private Ltd: Ashish Jagnani.

Company Disclosures

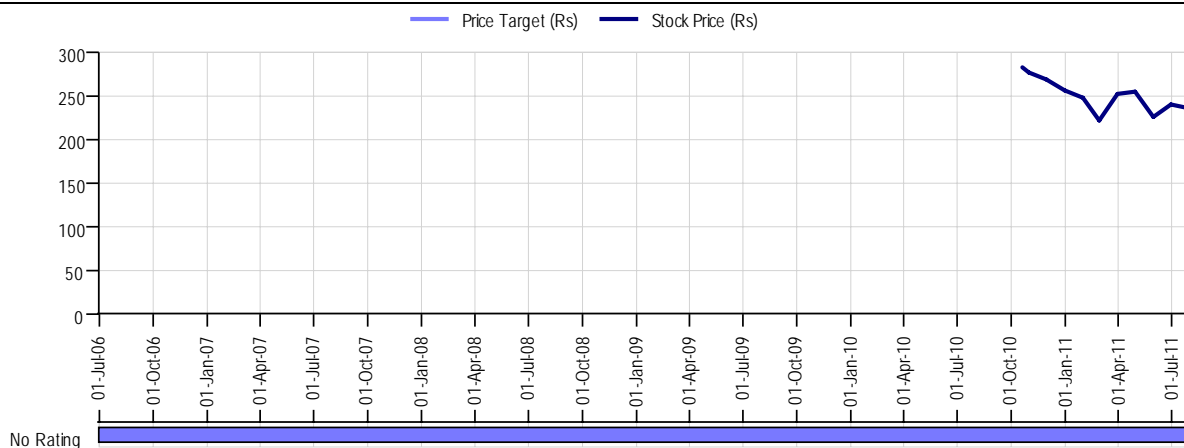
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Oberoi Realty	OEBO.BO	Not Rated	N/A	Rs230.90	12 Aug 2011

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Oberoi Realty (Rs)



Source: UBS; as of 12 Aug 2011

Global Disclaimer

This report has been prepared by UBS Securities India Private Ltd, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS. In certain countries, UBS AG is referred to as UBS SA.

This report is for distribution only under such circumstances as may be permitted by applicable law. Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. It is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning UBS AG, its subsidiaries and affiliates, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the report. UBS does not undertake that investors will obtain profits, nor will it share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by recipients as a substitute for the exercise of their own judgement. Past performance is not necessarily a guide to future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS as a result of using different assumptions and criteria. Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. UBS is under no obligation to update or keep current the information contained herein. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates and other market conditions. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither UBS nor any of its affiliates, nor any of UBS' or any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC and/or UBS Capital Markets LP) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this research report. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein.

Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been effected at those prices and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions, by UBS or any other source, may yield substantially different results.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is communicated by UBS Limited, a subsidiary of UBS AG, to persons who are eligible counterparties or professional clients and is only available to such persons. The information contained herein does not apply to, and should not be relied upon by, retail clients. UBS Limited is authorised and regulated by the Financial Services Authority (FSA). UBS research complies with all the FSA requirements and laws concerning disclosures and these are indicated on the research where applicable. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France SA. UBS Securities France S.A. is regulated by the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this report, the report is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Prepared by UBS Menkul Degerler AS on behalf of and distributed by UBS Limited. **Russia:** Prepared and distributed by UBS Securities CJSC. **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A.. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this report, the report is also deemed to have been prepared by UBS Italia Sim S.p.A.. **South Africa:** UBS South Africa (Pty) Limited (Registration No. 1995/011140/07) is a member of the JSE Limited, the South African Futures Exchange and the Bond Exchange of South Africa. UBS South Africa (Pty) Limited is an authorised Financial Services Provider. Details of its postal and physical address and a list of its directors are available on request or may be accessed at <http://www.ubs.co.za>. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a 'non-US affiliate'), to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a report prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this report must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. **Canada:** Distributed by UBS Securities Canada Inc., a subsidiary of UBS AG and a member of the principal Canadian stock exchanges & CIPF. A statement of its financial condition and a list of its directors and senior officers will be provided upon request. **Hong Kong:** Distributed by UBS Securities Asia Limited. **Singapore:** Distributed by UBS Securities Pte. Ltd [mica (p) 039/11/2009 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte Ltd, an exempt financial advisor under the Singapore Financial Advisers Act (Cap. 110); or UBS AG Singapore branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or report. The recipient of this report represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **Japan:** Distributed by UBS Securities Japan Ltd to institutional investors only. Where this report has been prepared by UBS Securities Japan Ltd, UBS Securities Japan Ltd is the author, publisher and distributor of the report. **Australia:** Distributed by UBS AG (Holder of Australian Financial Services License No. 231087) and UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098) only to 'Wholesale' clients as defined by s761G of the Corporations Act 2001. **New Zealand:** Distributed by UBS New Zealand Ltd. An investment adviser and investment broker disclosure statement is available on request and free of charge by writing to PO Box 45, Auckland, NZ. **Dubai:** The research prepared and distributed by UBS AG Dubai Branch, is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This report may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (253825-x). **India :** Prepared by UBS Securities India Private Ltd. 2/F,2 North Avenue, Maker Maxity, Bandra Kuria Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000 SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, BSE (Capital Market Segment) INB010951437.

The disclosures contained in research reports produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS specifically prohibits the redistribution of this material in whole or in part without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect. Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights. © UBS 2011. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

