

OMAXE LTD

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Issue Opens On : 17 July 2007.
Issue Closes On : 20 July 2007.
Price Band : Rs. 265 – Rs. 310
Bid Lot : 20 Shares & in multiples of 20 shares thereafter

Issue Size : Rs. 471.60 – 551.69Cr.
Face Value : Rs. 10.

Company Background

Omaxe Ltd started operations in 1989 as construction cum contracting company and later diversified in to real estate development in 2001. Its operations spans in 30 cities and 9 states in India with significance presence in North India. The company has its operations diversified across all segments of real estate development, including integrated townships, residential, commercial and retail segments spanning across hotels, information technology and bio – tech parks as well special economic zones with focus on Tier II and Tier III cities to take advantage of growing opportunities in these cities. It has access to land reserves of around 3,255 acres

Shareholding Pattern (%)

	Pre-Issue	Post Issue (Excl.Green shoe) (With Green Shoe)	
Promoters & Promoters Group	100.00	89.70	88.80
Public & Others	--	10.30	11.20

Pattern of Book –Building

	<i>No. of shares</i>
Total Issue Size (excl. Greenshoe Option)	1,77,96,520
Employee Reservation Portion	2,96,520
Net Issue	1,75,00,000
QIB (Atleast 60% of Net Issue)	1,05,00,000
Non – Institutional (Up to 10%)	17,50,000
Retail (Up to 30%)	52,50,000
Green Shoe Option	17,50,000
Issue Size with Green Shoe Option	1,95,46,250

Objects of the issue

(Rs. In Crore)

Particulars	Already Paid / Deployed Up to May 31, 2007.	Net Proceeds proposed to be utilized
Payments related to Land	230.573	325.00
Repayment of Loan	--	200.00
Development and Construction Cost	303.973	150.00
General Corporate Expenses / Working Capital Requirement	--	--
Total	534.546	675.00

Source : RHP, OMAXE Ltd.

Vinod Hassija
Email Id : vinod.hassija@relianceada.com

Avinash Gorakshakar
Email Id : avinash.gorakshakar@relianceada.com

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Business Overview

Omaxe Ltd is a real estate development and construction company with operations in 30 cities and 9 states in India & presence in all most all the domains of real estate development projects ranging from integrated townships, group housing and retail and other commercial properties, hotels, information technology and bio – tech parks to special economic zones.

The company has completed more than 120 construction projects as of March 31, 2007 covering about 8 residential projects consisting of 7 group housing and 1 integrated township and 2 commercial projects, including retail and office space covering approx. 5.13 Mn sq.ft of built – up / developed area.

Details of Completed Projects as on March 31, 2007.

Sr.No.	Type of Project	Built – up / Developed Area in (Mn. Sq.ft)	Revenue Recognised (in Rs. Crore)
1	Group Housing	1.04	107.60
2	Townships	3.75	331.20
3	Commercial	0.34	87.20

Land Reserves

Omaxe currently has land bank reserves of 3,255 acres (including approx. 571 acres of land belonging to joint ventures and collaborations in respect of which its economic interest is approx. 74% calculated on a weighted average basis in relation to such land) of which approx. 3,096 acres (including approx. 451 acres of land belonging to our basis in relation to such land) relate to projects that are currently under development or under various stages of approval for development, representing approx. 150 Mn sq. ft of saleable area and 159 acres (including approx. 120 acres belonging to their joint ventures and collaborations) relate to their future projects and projects that are currently in various phases of planning.

Ownership Details

Land Bank / Land Reserve	Acreage (In Acres)	% of Total Acreage	Estd. developable Area (In Mn Sq.ft)	% of Developable Area
Land Owned	1006.90	30.93	62.03	33.74
<i>By itself</i>	<i>581.65</i>	<i>17.87</i>	<i>37.65</i>	<i>20.48</i>
<i>Through Subsidiaries</i>	<i>425.25</i>	<i>13.06</i>	<i>24.38</i>	<i>13.26</i>
<i>Through other entities</i>	--	--	--	--
Land where company has sole development rights	1483.35	45.57	78.05	42.46
<i>By itself</i>	<i>1483.35</i>	<i>45.57</i>	<i>78.05</i>	<i>42.46</i>
<i>Through Subsidiaries</i>	--	--	--	--
<i>Through other entities</i>	--	--	--	--
MOU / Agreement to Acquire	193.64	5.95	16.18	8.80
<i>Land subject to govt. allocation on leasehold basis</i>	<i>193.64</i>	<i>5.95</i>	<i>16.18</i>	<i>8.80</i>
Sub – Total (A)	2683.89	82.45	156.25	85.00
Land with Jt. Development Agreement	570.91	17.55	27.57	15.00
<i>By itself</i>	<i>465.50</i>	<i>14.31</i>	<i>27.57</i>	<i>15.00</i>
<i>Through Subsidiaries</i>	<i>105.41</i>	<i>3.24</i>	--	--
<i>Through other entities</i>	--	--	--	--
Sub – Total (B)	570.91	17.55	27.57	15.00
Total	3254.80	100.00	183.83	100.00

Source : RHP, Omaxe Ltd

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Details of Projects under development

Sr.No.	Type of Project	Saleable Area (Mn.Sq.ft)	Proportionate share in (%)
1	Group Housing	66.60	44.45
2	Townships	77.30	51.60
3	Commercial	4.89	3.26
4	Hotel	1.03	0.69
	Total	149.82	100.00

Projectwise details in different regions under various stages of development.

Sr.No.	States	Towns	No. of Projects	Saleable Area (Mn. Sq. ft)	% of Total Saleable Area
1.	New Delhi	New Delhi	2	0.44	0.29%
2.	Punjab	Amritsar, Derabassi, Ludhiana, Mohali, Patiala and Rajpura	10	25.85	17.25%
3.	Haryana	Bahadurgarh, Faridabad, Gurgaon, Kundli, Palwal, Rohtak, Sonapat and Yamuna Nagar	15	41.91	27.97%
4.	Rajasthan	Ajmer, Bhiwadi, Jaipur and Kishangarh	4	23.96	15.99%
5.	Uttar Pradesh	Agra, Bulandshahar – Khurja, Ghaziabad, Greater Noida, Lucknow, Vrindavan – Mathura and Noida.	15	27.88	18.61%
6.	Himachal Pradesh	Baddi	1	2.35	1.57%
7.	Madhya Pradesh	Indore	3	10.29	6.87%
8.	Chattisgarh	Raipur	1	13.59	9.07%
9.	Uttaranchal	Pantnagar	1	3.55	2.37%
	Total		52	149.82	

As of March 31, 2007 it had 52 current residential and commercial projects consisting of 21 group housing projects, 16 integrated townships, 14 shopping malls and commercial complexes and 1 hotel. Currently projects include 38 projects which are under development and 14 which are under various stages of approvals for development. The company expects to commence development on these 14 projects within fiscal 2008. The 16 integrated townships are essentially 'mixed use' townships consisting of residential and commercial projects and are expected to include 10 group housing projects, 16 commercial projects, 1 Bio – Tech Park and 1 information technology park.

Key Financials

(Rs. In Cr.)

Y / E	Mar – 05	Mar – 06	Mar – 07
Operating Income	395.47	814.34	1,431.28
Other Income	1.13	5.52	8.38
Total Income	396.60	819.86	1,439.66
Expenditure	370.23	673.16	1,117.36
EBITDA	367.02	667.27	1,084
PAT	5.04	118.82	257.26
EPS (Rs.)	0.40	7.91	16.60
Share Capital (FV Rs. 10)	9.67	77.48	154.95
Reserves	37.59	123.67	290.28
Networth	79.07	201.12	461.04
Debt (Secured & Unsecured)	164.95	372.27	1,263.65

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Peer Comparison & Valuation

Particulars	Omaxe	DLF	Unitech
Land Bank	3,255	12,755	10,500
Developable Area (Mn. Sq.ft.)	150	612	490
No. of Equity Shares (Post Issue) (In Cr.)	17.45#	170.48	81.17
EV (Rs. In Cr.)	6,508.08^	1,07,986.50	48,522.24
EV / Sq. ft (Rs.)	434	1,765	990
CMP (Rs.)	265 – 310	616.40	555.40
Market Cap (Rs. In Cr.)	5,409.50	1,01,396.70	45,710.89
EPS (TTM)	16.60*	12.80*	11.84
P/E	15.96 – 18.67	48.15	46.91

#Including Green shoe option.

^ Calculated at Upper band

*As on 31.3.2007

Source : RHP, Omaxe Ltd

Competitive Strengths

- Omaxe has one of the extensive land reserves. As on March 31, 2007 the company had access to land reserves of 3,255 acres and has ability to identify, acquire and consolidate land on the basis of the research done by the in – house ‘project research and land identification’ team consisting of 23 employees who are involved in gathering relevant market data, assessing the potential of a location after evaluating its demographic trends and in identifying relevant government schemes and incentives. The in – house team also interacts with the owners of the land and co-ordinate the purchase of lands for their developments from the landowners.
- The company has a track record of more than 18 years in the construction and contracting business with a high level of technical expertise at hand, as evidenced by the completion of about 120 projects till March 31, 2007. With more than 18 years in existence, it has build the brand image and awareness among the consumers. As of March31, 2007 the total number of units that the company has sold and / or booked to customers consist more than 19,000 residential and 2,000 commercial property units and has attained ISO 9001 : 2000 certification which further boosts its brand image.
- The real estate business of the company is well diversified across geographical locations among almost all categories i.e. integrated townships, goup housing and retail and other commercial properties, hotels, information technology and bio – tech parks to special economic zones, as evidenced by the presence of projects and land reserves in 30 cities and 9 states in India. Futher focus on Tier II & Tier III cities will enable the company to exploit growth opportunities in those cities.
- The Company has entered key arrangements with strategic partners to enhance their real estate development business and also intend to enter in to joint ventures and joint development agreements with relevant state development authorities to develop integrated townships. It has entered in to a private – public participation agreement with Patiala Urban Planning & Development Authority to develop an integrated township at Patiala over an area of 336.50 acres and are also developing ‘Wedding Mall, Gurgaon’, ‘Wedding Mall, Agra, and ‘ Wedding Mall, Patiala and the ‘House 2 Home’ mall in Gurgaon.

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Concerns

- Omaxe though has land bank in 9 states has significant concentration in North India which exposes the company to any negative political / regional developments in the region.
- Company along with its subsidiaries owns 1006 acres which is just 30% of the total land reserves of approx. 3255 acres and has sole development rights of 1483 acres the rest being MOUs and joint developments. Further, out of 1006 acres, Omaxe alone owns about 17.87% and the 13% is held by its subsidiaries. Thus on a standalone basis the Land reserves held is substantially lower.
- Though the execution risk is something the company may not be able to face given its expertise in timely completion of projects but taking in to consideration the huge expansion plans to complete the development of its land reserves of 148 mn sq.ft over next 3 – 5 years is a challenging task since the real estate sector is a highly interest rate sensitive sector and any reversal in the current investment scenario or any increase in the interest rates or any tightening of prevailing liquidity in the system will have adverse effect on the financials of the company

Conclusion

The Peer group comparison and valuation reflects that the Omaxe has priced the issue at a discount to its peers. At the price band of Rs.265 – 310 the stock is available at EV / Sq. ft of Rs. 434 and at P/E of 18.61 (at upper band). The valuation discount goes well with the current market scenario where some of the real estate companies are quoting at huge premium. Taking in to consideration the sector in which the company operates and the current market scenario, **we recommend our investors to SUBSCRIBE to the issue from a long term view.**

Global Coordinators& Jt. BRLM Registrar to the Issue	: DSP Merrill Lynch, Citigroup UBS Securities, JM Financial : Intime Spectrum Registry
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