

Morgan Stanley India Company  
Private Limited+

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October 18, 2011

Stock Rating  
**Overweight**

Industry View  
**In-Line**

## Oberoi Realty Limited

### 2Q Earnings Beat, New Launch Pick Up in 2012 - OW

**F2Q12 results ahead of our estimate: Sales were up 31% yoy (up 38% qoq; due to higher recognition of Splendor and Exquisite), while operating margins compressed 10 ppts due to project cost revision of Splendor (lower interest charge for payment delays) and upward revision of specs at Exquisite and Grande. This along with higher financial income/higher tax rate led to 17% yoy growth in net profits to Rs 1.1bn (up 21% qoq excluding one offs), above our estimate of Rs0.8bn. Rental income from Oberoi Mall and Commerz I was largely flat qoq (Rs 307 mln) and accounted for 14% of total income. Westin income dropped 9% qoq on account of seasonality.**

**Operational highlights** – New sales momentum was lackluster with 82 units sold during the quarter (Esquire 52, Exquisite 9, Grande 17, Splendor 3) versus 95 units in the previous quarter. Cumulatively, OBER has sold 53%, 29% and 49% in Exquisite, Esquire and Grande (all under construction). It continues to hold 85 units of finished inventory in Splendor. According to management, commercial demand is soft due to which corporate leasing activity is poor (Commerz I – 25% vacant, no progress in Commerz II/Phase I leasing and strata sales likely in Prisma). Importantly, the company has raised base selling price in Grande recently (8-9% to Rs12.5k psf – only above 19<sup>th</sup> floor) and is planning to do so for Esquire in the near future.

**New launches likely in 2012** – Oasis (Worli) hard launch is likely in F4Q12, though soft marketing will continue. Exotica (Mulund) launch is now delayed to mid 2012 given regulatory hurdles and GSK Worli in the next 12 months (subject to resolution of pending issues with BMC). Prisma launch is possible in the ensuing months on strata basis. OBER continues to explore new project opportunities to deploy its surplus cash (Rs12 bln).

**We remain OW on OBER** in view of its quality brand, strong balance sheet and good visibility to monetize its well-located land bank.

#### Key Ratios and Statistics

Reuters: OEBO.BO Bloomberg: OBER IN

##### India Property

Shr price, close (Oct 13, 2011)	Rs230.25
52-Week Range	Rs306.60-210.00
Sh out, dil, curr (mn)	328
Mkt cap, curr (mn)	Rs75,576
EV, curr (mn)	Rs61,942
Avg daily trading value (mn)	Rs114

Fiscal Year ending	03/11	03/12e	03/13e	03/14e
ModelWare EPS (Rs)	15.76	15.28	22.64	39.50
Prior ModelWare EPS (Rs)	-	-	-	-
Consensus EPS (Rs)§	16.00	17.01	25.08	35.64
Revenue, net (Rs mn)	-	-	-	-
EBITDA (Rs mn)	6,398	5,897	9,080	16,124
ModelWare net inc (Rs mn)	5,172	5,017	7,431	12,965
P/E	16.0	15.1	10.2	5.8
P/BV	2.5	2.0	1.7	1.3
RNOA (%)	27.1	19.0	27.8	47.0
ROE (%)	28.3	15.1	19.7	29.1
EV/EBITDA	10.8	9.9	5.8	2.6
Div yld (%)	0.0	0.5	0.8	1.2
FCF yld ratio (%)	0.8	5.0	8.0	15.3
Leverage (EOP) (%)	(41.2)	(45.2)	(50.5)	(58.5)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

§ = Consensus data is provided by FactSet Estimates.

e = Morgan Stanley Research estimates

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October 18, 2011  
Oberoi Realty Limited

Exhibit 1

**OBER: Quarterly Income Statement**

<b>Rs. Millions</b>	<b>F2Q12</b>	<b>F2Q11</b>	<b>% Change</b>	<b>F1Q12</b>	<b>% Change</b>
<i>Period Ending</i>	<i>30-Sep-11</i>	<i>30-Sep-10</i>	<i>YoY</i>	<i>30-Jun-11</i>	<i>QoQ</i>
Net Sales / Income from Operations	2,201	1,700	30%	1,596	38%
Other Operating Income	25	1	2656%	14	84%
<b>Total Income</b>	<b>2,226</b>	<b>1,701</b>	<b>31%</b>	<b>1,609</b>	<b>38%</b>
<b>Expenditure</b>	<b>1,071</b>	<b>694</b>	<b>54%</b>	<b>706</b>	<b>52%</b>
- Operating Expenses	951	564	69%	587	62%
- Employee Cost	85	69	23%	84	1%
- Other Expenditure	35	62	-44%	35	-1%
<b>Operating Profit</b>	<b>1,156</b>	<b>1,006</b>	<b>15%</b>	<b>903</b>	<b>28%</b>
Other Income	343	70	389%	542	-37%
Depreciation and Amortisation	66	58	14%	65	1%
Interest and Finance Charges	0	2		1	-50%
Prior Period Items	0	0		5	
<b>Profit Before Tax</b>	<b>1,432</b>	<b>1,017</b>	<b>41%</b>	<b>1,374</b>	<b>4%</b>
Tax Expenses	317	62	416%	316	0%
<b>Net Profit</b>	<b>1,114</b>	<b>955</b>	<b>17%</b>	<b>1,058</b>	<b>5%</b>
<i>GPM (%)</i>	<i>57%</i>	<i>67%</i>	<i>-10%</i>	<i>64%</i>	<i>-6%</i>
<i>OPM (%)</i>	<i>52%</i>	<i>59%</i>	<i>-7%</i>	<i>56%</i>	<i>-4%</i>
<i>NPM (%)</i>	<i>50%</i>	<i>56%</i>	<i>-6%</i>	<i>66%</i>	<i>-16%</i>
<i>Effective Tax Rate (%)</i>	<i>22%</i>	<i>6%</i>	<i>16%</i>	<i>23%</i>	<i>-1%</i>

Source: Company data, Morgan Stanley Research

Exhibit 2

**OBER: Quarterly Cash Flow Statement**

<b>Rs. Mln</b>	<b>F2Q12</b>	<b>F2Q11</b>	<b>F1Q12</b>
Opening Cash & cash Equivalents	15,646	4,801	13,993
Operating Cash Flows	867	838	549
Investing Cash Flows	(2,886)	(575)	(4,260)
Financing Cash Flows	(158)	(6)	(53)
<b>Closing Cash and Cash Equivalents</b>	<b>13,469</b>	<b>5,058</b>	<b>10,228</b>

Source: Company data, Morgan Stanley Research

Exhibit 3

### OBER: Project Wise Sales Details (F4Q11 – F2Q12)

Project	F4Q11				F1Q12				F2Q12			
	Area sold	Units sold	Sale Value	Effective Rate	Area sold	Units sold	Sale Value	Effective Rate	Area sold	Units sold	Sale Value	Effective Rate
	sq.ft.		Rs.Mil	Rs.psf	sq.ft.		Rs.Mil	Rs.psf	sq.ft.		Rs.Mil	Rs.psf
Splendor	5,922	6	118	19,858	2,961	3	67	22,526	2,961	3	65	21,817
Exquisite	9,230	5	145	15,655	13,250	7	211	15,909	19,500	9	276	14,169
Splendor Grande					27,300	15	368	13,473	30,940	17	413	13,335
Esquire	273,025	109	3,190	11,682	166,835	70	1,973	11,828	126,985	52	1,486	11,701
<b>Total</b>	<b>288,177</b>	<b>120</b>	<b>3,452</b>	<b>11,978</b>	<b>210,346</b>	<b>95</b>	<b>2,619</b>	<b>12,449</b>	<b>180,386</b>	<b>81</b>	<b>2,239</b>	<b>12,414</b>

Source: Company data, Morgan Stanley Research

Exhibit 4

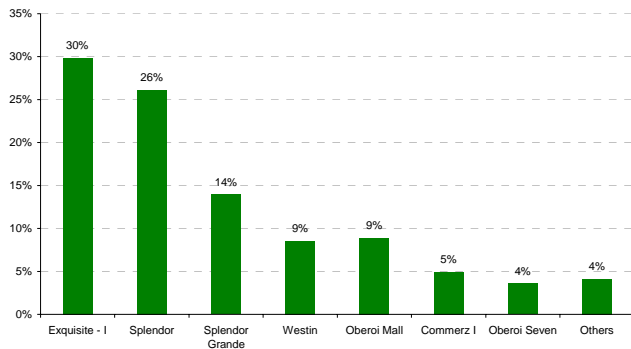
### OBER: Project Wise Cumulative Sales Data (F4Q11 – F2Q12)

Project	Total Saleable Area (msf)		End F4Q11 % Completion		End F1Q12 % Completion		End F2Q12 % Completion	
	Nos of Units		% Completion	% Sold	% Completion	% Sold	% Completion	% Sold
Splendor	1.28	1296	94%	92.9%	96%	93.2%	100%	93.4%
Exquisite	1.51	786	29%	50%	33%	51%	39%	53%
Splendor Grande	0.28	156	28%	28%	36%	37%	45%	49%
Esquire	1.97	846	<20%	14%	<20%	22%	<20%	29%

Source: Company data, Morgan Stanley Research

Exhibit 5

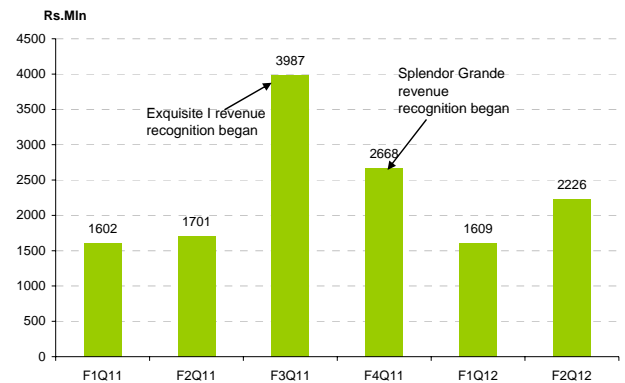
### OBER: F2Q12 Revenue Breakdown by Project



Source: Company data, Morgan Stanley Research

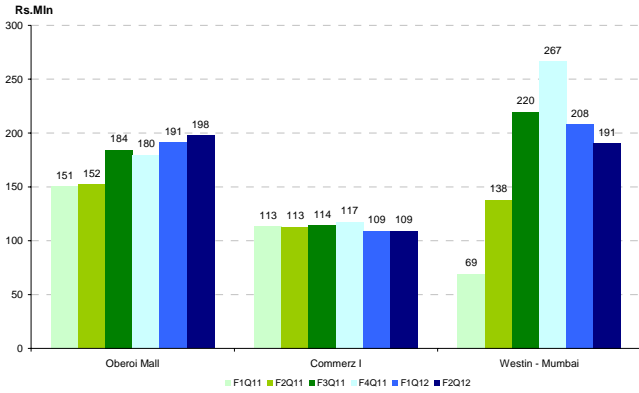
Exhibit 6

### OBER: Revenue Trend



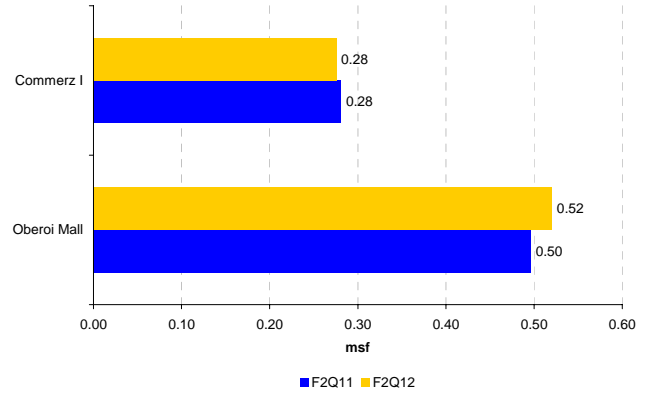
Source: Company data, Morgan Stanley Research

Exhibit 7  
**OBER: Revenue Trend for Rental/Hospitality Assets**



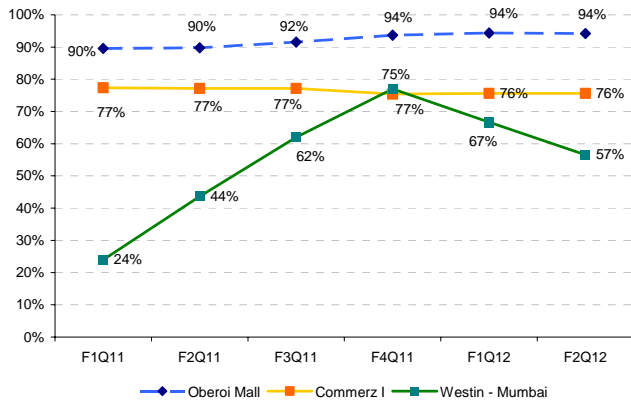
Source: Company data, Morgan Stanley Research

Exhibit 9  
**OBER: Leasing Trend for Rental Assets**



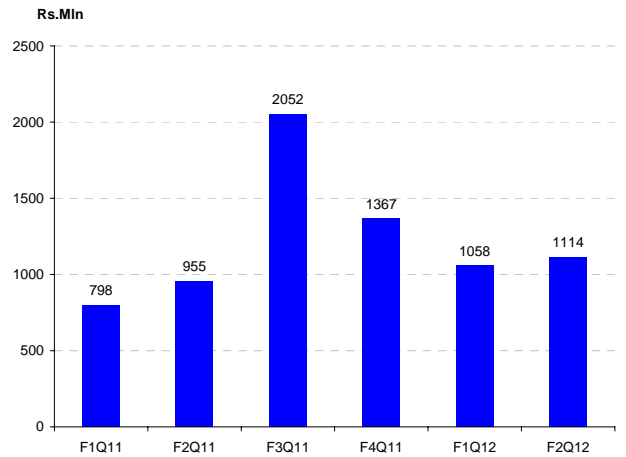
Source: Company data, Morgan Stanley Research

Exhibit 8  
**OBER: Occupancy Trend For Rental/Hospitality Assets**



Source: Company data, Morgan Stanley Research

Exhibit 10  
**OBER: Net Profit Trend**



Source: Company data, Morgan Stanley Research

Exhibit 11

## Real Estate Valuation Parameters: Indian Companies

Prices as of Oct 17, 2011	Price (Rs)	Mkt Cap (Rs. mn.)	EPS			P/E			P/B			RoE		Fwd NAV/Share	% (Dis)/Prem NAV
			F2011	F2012E	F2013E	F2011	F2012E	F2013E	F2011E	F2012E	F2013E	F2012E	F2013E		
<b>Indian Companies</b>															
DLF#	236	394,346	9.1	9.0	10.1	25.6	25.8	23.1	1.6	1.5	1.5	5.9%	6.3%	252	-6.4%
Unitech	27	71,556	2.2	2.4	2.9	12.2	11.4	9.1	0.6	0.6	0.6	5.2%	6.1%	^^	^^
Indiabulls Real Estate Ltd. #	72	29,588	3.8	7.9	14.2	19.3	9.1	5.1	0.3	0.3	0.3	3.3%	5.6%	250	-71.1%
Jaypee Infratech Ltd #	61	84,169	10.5	6.8	9.1	5.8	8.9	6.7	1.8	1.5	1.2	17.0%	18.5%	106	-42.8%
DB Realty Ltd.	58	14,121	12.3	19.6	14.7	4.7	3.0	4.0	0.4	0.4	0.4	14.2%	8.9%		
Sobha Developers Ltd.#	231	22,216	18.5	21.0	24.8	13.3	10.8	9.1	1.2	1.1	1.0	10.3%	11.1%	445	-48.1%
Oberoi Realty Ltd.#	235	76,971	15.8	15.3	22.6	14.9	15.3	10.4	2.3	2.0	1.7	13.3%	16.7%	314	-25.3%
HDIL	99	41,189	19.8	22.6	27.0	5.0	4.5	3.7	0.4	0.4	0.4	9.0%	10.0%		
Puravankara Projects Ltd.	73	15,655	5.5	7.6	9.7	13.3	9.7	7.5	1.0	0.9	0.8	9.2%	11.0%		
Mahindra Lifespace Developers	295	11,807	26.2	29.7	40.7	11.0	9.7	7.1	1.1	1.0	0.9	10.1%	12.1%		
Ansal Properties	35	5,438	7.7	8.5	14.3	4.6	4.1	2.5	0.3	0.3	0.3	7.4%	11.6%		
Godrej Properties Ltd. #	666	46,541	18.7	19.4	38.7	35.6	34.4	17.2	5.1	4.6	3.7	13.4%	21.7%	708	-5.9%
<b>AIM Listed companies</b> (GBp) (£mn)															
Unitech Corporate Parks*	26	94												^^	^^
Hirco PLC*	57	44													
Ishaan*	48	70													
<b>Weighted Average</b>						<b>19.2</b>	<b>18.2</b>	<b>14.9</b>	<b>1.6</b>	<b>1.4</b>	<b>1.3</b>				

Source: Company data, Morgan Stanley Research;

\* Prices in pence as on October 17, 2011, Mkt cap in £mn

# = Morgan Stanley Research estimates; all others are FactSet consensus E = estimates

\*\* DLF, OBER and GPL NAV is for Mar '12; Sobha, IBREL and JIL NAV are for Mar '11.

^^ = Stock rating, price target and/or estimates not available or have been removed due to applicable law and/or Morgan Stanley policy.

Exhibit 12

## Real Estate Valuation Parameters: Regional Companies

10/17/2011	Share	Mkt Cap	P/E		P/B		RoE		Net D/E	Int. Cov	NAV/	Disc to	Fwd	Disc to
Company	Price	US\$M	2010	2011E	2010	2011E	2010	2011E	2010	2010	share	NAV	NAV	fwd NAV
<b>China Property Stocks</b>														
China Vanke	8.03	13,834	12.4	8.7	2.0	1.7	19%	23%	0.2	10.7	12.0	-33%	10.1	-21%
COLI.	15.56	16,321	12.0	11.7	2.1	2.0	23%	20%	0.2	31.4	-		NA	
Country Garden	3.42	7,185	13.4	12.5	1.8	1.8	15%	16%	0.5	5.7	4.3	-21%	3.9	-12%
Guangzhou R&F	8.41	3,480	8.3	4.5	1.5	1.0	22%	25%	0.9	6.9	23.6	-64%	18.4	-54%
China Resources Land	12.02	7,775	16.8	11.8	1.8	1.4	11%	13%	0.5	15.9	-		NA	
Agile Property	9.84	4,733	9.5	6.7	1.8	1.3	25%	22%	0.8	63.5	19.8	-50%	17.5	-44%
Shanghai Forte Land	3.48	1,130	5.0	5.8	0.7	0.9	18%	17%	1.1	27.5	7.0	-50%	5.1	-31%
<b>Weighted Average</b>			<b>12.4</b>	<b>10.1</b>	<b>1.9</b>	<b>1.7</b>								
<b>HK Property Stocks</b>														
SHK Properties	104.00	34,321	19.8	15.4	1.1	1.1	6%	8%	0.1	30.5	147.0	-29%	158.00	-34%
Hang Lung Properties Ltd.	26.90	15,447	18.7	50.7	1.3	1.3	10%	3%	(0.1)	278.5	26.0	3%	28.0	-4%
<b>Weighted Average</b>			<b>19.5</b>	<b>26.4</b>	<b>1.2</b>	<b>1.2</b>								

Source: Company data, Morgan Stanley Research



October 18, 2011

Oberoi Realty Limited



**Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations.** For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

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In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from DLF Limited, Godrej Properties Limited, Indiabulls Real Estate Limited, Oberoi Realty Limited, Sobha Developers Ltd., Unitech Limited.

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(as of September 30, 2011)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
<b>Overweight/Buy</b>	<b>1130</b>	<b>40%</b>	<b>457</b>	<b>46%</b>	<b>40%</b>
<b>Equal-weight/Hold</b>	<b>1168</b>	<b>42%</b>	<b>419</b>	<b>42%</b>	<b>36%</b>
<b>Not-Rated/Hold</b>	<b>112</b>	<b>4%</b>	<b>23</b>	<b>2%</b>	<b>21%</b>
<b>Underweight/Sell</b>	<b>400</b>	<b>14%</b>	<b>104</b>	<b>10%</b>	<b>26%</b>
<b>Total</b>	<b>2,810</b>		<b>1003</b>		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

### Analyst Stock Ratings

**Overweight (O or Over)** - The stock's total return is expected to exceed the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

**Equal-weight (E or Equal)** - The stock's total return is expected to be in line with the total return of the relevant country MSCI Index, on a risk-adjusted basis over the next 12-18 months.

**Not-Rated (NR)** - Currently the analyst does not have adequate conviction about the stock's total return relative to the relevant country MSCI Index on a risk-adjusted basis, over the next 12-18 months.

**Underweight (U or Under)** - The stock's total return is expected to be below the total return of the relevant country MSCI Index, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

### Analyst Industry Views

**Attractive (A)**: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

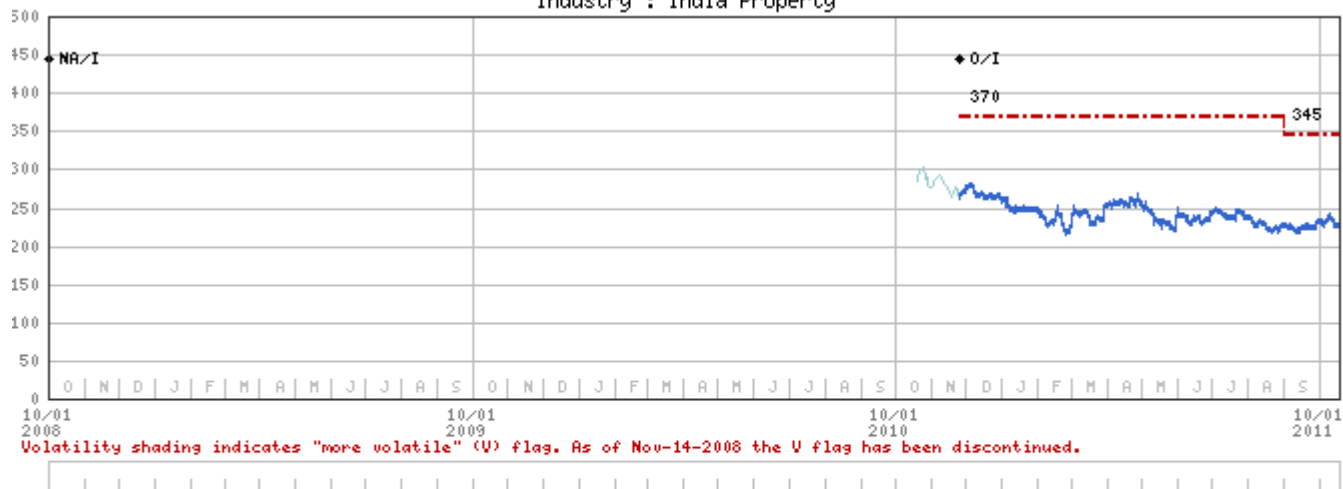
**In-Line (I)**: The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

**Cautious (C)**: The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

### Stock Price, Price Target and Rating History (See Rating Definitions)

Oberoi Realty Limited (OEBO.BO) - As of 10/17/11 in INR  
Industry : India Property



Stock Rating History: 10/1/08 : NA/I; 11/25/10 : O/I

Price Target History: 11/25/10 : 370; 8/31/11 : 345

Source: Morgan Stanley Research      Date Format : MM/DD/YY      Price Target ---      No Price Target Assigned (NA)  
 Stock Price (Not Covered by Current Analyst) ---      Stock Price (Covered by Current Analyst) ---  
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View  
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)  
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)



October 18, 2011  
Oberoi Realty Limited

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Company (Ticker)	Rating (as of)	Price* (10/17/2011)
<b>Sameer Baisiwala, CFA</b>		
DLF Limited (DLF.BO)	E (09/06/2011)	Rs235.85
Indiabulls Real Estate Limited (INRL.BO)	O (07/01/2010)	Rs72.25
Jaypee Infratech Limited (JYPE.BO)	E (07/01/2010)	Rs60.6
Oberoi Realty Limited (OEBO.BO)	O (11/25/2010)	Rs234.5
Sobha Developers Ltd. (SOBH.BO)	O (05/25/2010)	Rs230.85
Unitech Corporate Parks Plc (UCP.L)	NA (12/31/2010)	26p
Unitech Limited (UNTE.BO)	NA (12/31/2010)	Rs27.2
<b>Arunabh Chaudhari</b>		
Godrej Properties Limited (GODR.BO)	E (06/28/2011)	Rs666.3

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