



Omaxe

IPO Fact Sheet

Issue details

Issue opens	: July 17, 2007
Issue closes	: July 20, 2007
Issue size	: 1.78 crore equity shares
Reservation for employees	: 0.03 crore shares
Fresh issue to public	: 1.75 crore shares
Face value	: Rs10 each
Break-up of fresh issue to public (excluding greenshoe option of 17.5 lakh shares)	
- QIB's portion	: 1.05 crore shares
- Retail portion	: 0.53 crore shares
- Non-institutional portion	: 0.17 crore shares
Price band	: Rs265-310

Object of the issue

The fresh issue of 1.78 crore equity shares is aimed at raising Rs472 crore to Rs552 crore (depending on the price band of Rs265-310 per share and excluding the greenshoe option of 17.5 lakh shares) to fund acquisition of land reserves, and development and construction of various real estate development projects as well to repay loans. Part of the proceeds would also be utilised for payment of general corporate expenses and to meet its working capital requirements.

Particulars	Amount (Rs crore)
Payments related to land	325.0
Repayment of loan	200.0
Development and construction cost	150.0
General corporate expenses/Working capital	NA
Total	675.0

After the issue the total number of shares of the company will increase from 15.5 crore to 17.3 crore, bringing down the promoters' stake to 87.95% of the diluted equity (excluding the greenshoe option).

	Pre-issue (%)	Post-issue (%) greenshoe not exercised	Post-issue (%) greenshoe exercised
Promoters	98.05	87.95	87.06
Promoter Group	1.57	1.40	1.39
Public	0.00	10.30	11.20
Others	0.38	0.35	0.35
Total	100.00	100.00	100.00

Company background

Omaxe has gradually morphed from a construction company to a real estate developer over the past few years. It commenced business in 1989 as a construction and contracting company and diversified into real estate development business in 2001. Omaxe is present in all segments of real estate development, including residential projects, integrated townships and commercial projects. However, the bulk of its revenues accrues from residential and housing projects.

Land bank

Omaxe has a land bank of 3,255 acre. The company has chalked out aggressive plans to develop and monetise its land reserves. It already has 3,096 acre of the existing land reserves at various stages of development and only 159 acre is earmarked for future projects.

Large part of land bank is under development

	Area (acre)
Projects currently under development	3,096
- Owned	2,645
- Joint venture	451
Future projects	159
- Owned	39
- Joint venture	120
Total acre	3,255

The land reserves are spread over 30 cities in nine states mainly concentrated in the north of India. A large portion of the land reserves is located in tier-II or tier-III cities that are emerging as industrial hubs and have decent growth potential in the coming years.

Distribution of land bank

States	Towns	No of Projects	Saleable area (msf)
Delhi	New Delhi	2	0.4
Punjab	Amritsar, Derabasi, Ludhiana, Patiala, Rajpura, Mohali	10	25.9
Haryana	Bahadurgarh, Faridabad, Gurgaon, Kundli, Palwal, Rohtak, Sonapat, Yamuna Nagar	15	41.9

Distribution of land bank

States	Towns	No of Projects	Saleable area (msf)
Rajasthan	Ajmer, Bhiwadi, Jaipur, Kishangarh	4	23.9
Uttar Pradesh	Agra, Bulandsher, Khurja, Ghaziabad, Noida, Lucknow, Mathura	15	27.9
Himachal Pradesh	Baddi	1	2.3
Madhya Pradesh	Indore	3	10.3
Chattisgarh	Raipur	1	13.5
Uttaranchal	Pantnagar	1	3.5
Total		52	150

In terms of breakup of projects into various segments of real estate, the projects under development are largely focused on the housing and integrated township projects with less than 4% earmarked for commercial and hotel projects. The company estimates expenditure of Rs16,794 crore on development of these projects over the next few years.

Project cost details

	Saleable area (msf)	Total estimated project cost (Rs crore)	Cost per sq ft (Rs)
Housing projects	67	9236	1387
Integrated townships	77	6199	802
Commercial projects	5	1358	2777
Hotel	1	NA	NA
Total	150	16794	1121

Key concern

- Omaxe faces intense competition from larger players like Unitech, DLF and the Ansal group in north India. With most of the players in this region also aggressively targeting to tap the emerging opportunity in tier-II and III cities, there could be an oversupply situation in some of these cities which could potentially result in softening of real estate prices.
- On the macro level, any further tightening of liquidity through policy measures or hardening of interest rates could lead to lower demand in the intermediate term. This would adversely affect companies like Omaxe that have aggressive development plans over the next couple of years.
- In terms of land bank, Omaxe is at a disadvantage to some of its peers, being a late entrant. It has built the land reserves in the past four to five years as compared to the other players like Unitech and DLF who have amassed their land reserves over the past two decades. Consequently, we suspect that the cost of acquiring the land reserves could be higher in case of Omaxe.

Valuation

The Omaxe issue appears to be more reasonably priced than some of the recent public issues by the other real estate companies. The price band of Rs265-310 per share is at a discount of 20-40% to the stock's fair value of Rs371 per share (based on the net present value method).

In terms of the price-earnings multiple, the stock is offered at a multiple of 17.8-20.8x FY2007 earnings (on post-diluted equity), which also appears to be reasonable.

	(Rs crore)
Revenues	31,128
Construction cost	16,794
SG&A (3% of revenues)	934
PBT	13,401
Tax	4,288
PAT	9,112
Discounted value (13% for three years)	7,136
Less: Debt	1,099
Less: Customer advances	259
Less: Unpaid land payment	80
Add: Cash on hand	165
Add: IPO proceeds	552
Equity value	6,415
Number of post-issue equity	17.3
Fair value per share (Rs)	371

Please note that we have not considered the value of its hotel project in the above table.

Financials**Profit and loss account** Rs (cr)

Particulars	FY2004	FY2005	FY2006	FY2007
Operating income	283.5	395.5	814.3	1431.3
Expenditure	264.2	367.0	667.3	1084.0
Operating profit	19.3	28.5	147.1	347.3
Other income	0.2	1.1	5.5	8.4
Interest	1.6	1.6	3.6	29.8
Depreciation	0.7	1.6	2.3	3.6
PBT	17.2	26.4	146.7	322.3
Tax	8.9	21.3	27.9	65.1
PAT	8.3	5.0	118.8	257.2

Balance sheet Rs (cr)

Particulars	FY2004	FY2005	FY2006	FY2007
Share capital	11.0	41.6	77.5	177.7
Reserves	34.5	37.6	123.7	290.3
Net worth	45.5	79.2	201.1	468.0
Deferred tax liability	0.4	0.5	-0.7	-1.4
Minority interest	0.0	0.0	0.0	0.1
Capital employed	45.8	79.6	200.5	466.7
Fixed assets	10.6	16.2	17.7	39.4
CWIP	1.5	0.6	0.3	0.9
Goodwill	0.0	5.8	7.0	20.9
Investment	0.2	0.0	0.2	0.0
Net current asset	33.5	56.9	175.2	398.3
Misc expenses	0.1	0.1	0.0	7.0
Capital deployed	45.8	79.6	200.5	466.7

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