

October 17, 2011

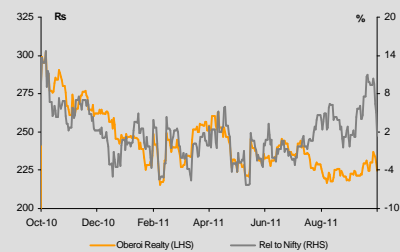
Reco	Previous Reco
Accumulate	Accumulate
CMP	Target Price
Rs 235	Rs 275
EPS change FY12E/13E (%)	NA
Target Price change (%)	NA
Nifty	5,118
Sensex	17,025

Price Performance

(%)	1M	3M	6M	12M
Absolute	5	(0)	(8)	
Rel. to Nifty	5	9	3	

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Real Estate
Bloomberg	OBER@IN
Equity Capital (Rs mn)	3282
Face Value(Rs)	10
No of shares o/s (mn)	328
52 Week H/L	307/210
Market Cap (Rs bn/USD mn)	77/1,573
Daily Avg Volume (No of sh)	64013
Daily Avg Turnover (US\$m)	0.3

Shareholding Pattern (%)

	Sep-11	Jun-11	Mar-11
Promoters	78.5	78.5	78.5
FII/NRI	19.1	19.0	19.0
Institutions	1.4	1.0	1.0
Private Corp	0.4	0.4	0.5
Public	0.7	1.0	1.1

Source: Capitaline

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- **Q2FY12 results much above our expectations, predominantly due to higher execution of Oberoi Exquisite boosting revenue under % completion method**
- **Sales booking slowed down, as expected. Company sold 1,86,036 sf in Q2FY12 against 2,10,346 sf in Q1FY12 and 1,70,399 sf our expectation**
- **OBRE acquires 50% stake in Oberoi Skyz for ~Rs 2.8bn, adds Rs 3 / share to NAV. Assumption of 2.7 FSI (Parking Policy), avg. rate of Rs 37500 / sf and project timeline of FY18**
- **Maintain our Accumulate rating with upgrade in TP to Rs 275. Increase in TP pertains to new acquisition only**

OBRE Q2FY12 results beat our estimates significantly; Operating margins lowest since last 6 reported quarters an aberration

OBRE posted revenue of Rs 2201mn, growth of 31% YoY and 38% QoQ; 35% above our expectation. EBITDA at Rs 1155mn, grew by 15% YoY and 28% QoQ; 23% above our expectation. PAT at Rs 1114mn, growth of 17% YoY and 5% QoQ; 19% above our expectation

What is worrying is the fall in Operating margins to 57.3%, which is lowest since last 6 reported quarters. EBITDA margins at 51.9% are also lowest since last 6 reported quarters, due to this. The fall in Hospitality segment EBITDA margin is there due to lower occupancy rate, and fall in Real Estate segment margins are due to higher costs incurred towards completion of Oberoi Splendor

Company's new acquisition leads to better utilization of idle cash, conservative assumption gives IRR of ~16%

OBRE acquired ICICI Ventures' 50% stake in the Worli project – Oberoi Skyz for ~Rs 2.8bn. The project currently has FSI of 1.7 which could increase to 2.7 if company avails car parking policy. The total saleable area on 2.7 FSI will be 0.73msf with 50% loading on carpet area. The property was under dispute wherein BMC claimed that the land belonged to them and it was given on a long-term lease. But same has been partly solved through a Supreme Court order

Considering an avg. realisation of Rs 37500 / sf, construction cost towards saleable area of Rs 5000 / sf & towards parking area of Rs 1200 / sf and completion timeline of FY18, the NAV / share of project comes to Rs 3.

We upgrade our TP to Rs 275, Maintain Accumulate rating

We upgrade our TP with the addition of the new acquisition. We continue to discount the NPV of under-construction commercial assets by 15% for our NAV estimates, owing to lower visibility in value generation. We have increased our revenue estimates for FY12E and FY13E by 19% and 13% owing to high execution witnessed in Q2FY12. PAT over same period is upgraded by 9% and 23% respectively. The stock at TP will trade at 1.9x FY13 BV.

Financials

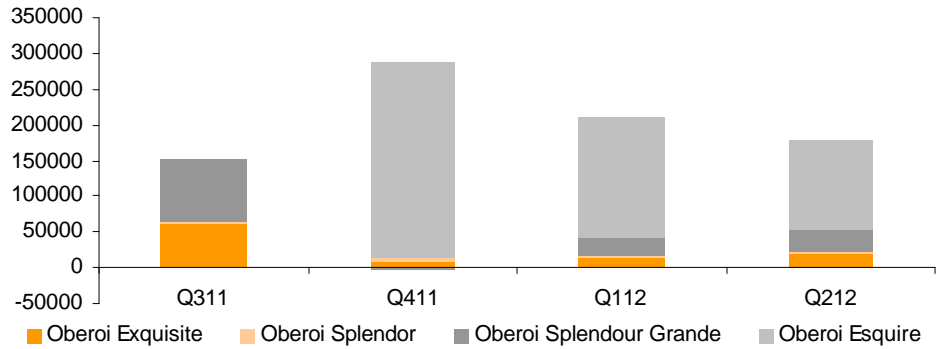
(Rs Mn)

YE-	Net	EBITDA		EPS	EPS	RoE	EV/			
Mar	Sales	(Core)	(%)	APAT	(Rs)	% chg	(%)	P/E	EBITDA	P/BV
FY10	7,772	4,608	59.3	4,574	13.9	86.7	27.7	16.9	16.0	4.2
FY11P	9,843	5,653	57.4	5,176	15.8	13.2	19.9	14.9	11.2	2.3
FY12E	9,684	6,001	62.0	5,500	16.8	6.2	15.3	14.0	11.0	2.0
FY13E	15,603	9,963	63.9	8,625	26.3	56.8	20.4	8.9	6.1	1.7

Company continues to see strong sales booking traction, would like to capitalize on the same through increase in its projects' base rates

Unlike Mumbai's property registration data, which is lowest since crisis, OBRE see steady sales bookings in its ongoing projects going forward. Company plans to capitalize on the same with price increase and doesn't see any fallout in the booking momentum due to same. It has recently increased the base rate of Splendor Grande at Andheri (E) and plans the same for its Goregaon (E) properties by 5%-10%

Sales Bookings (in sq. ft.)



Key Financials – Quarterly Summary (Consolidated)

Rs mn	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)	H1FY12	H2FY11	YoY (%)
Revenue	1,602	1,700	3,952	2,580	1,609	2,226	31.0	38.4	3,835	3,301	16.2
Expenditure	755	694	1,518	1,218	706	1,071	54.2	51.7	1,776	1,449	22.6
<i>as % of sales</i>	<i>47.1</i>	<i>40.8</i>	<i>38.4</i>	<i>47.2</i>	<i>43.9</i>	<i>48.1</i>			<i>46.3</i>	<i>43.9</i>	
Cost of Sales	665	564	1,422	1,079	587	951	68.7	62.1	1,538	1,228	25.2
<i>as % of sales</i>	<i>41.5</i>	<i>33.2</i>	<i>36.0</i>	<i>41.8</i>	<i>36.5</i>	<i>42.7</i>			<i>40.1</i>	<i>37.2</i>	
Employee Cost	50	69	70	80	84	85	23.3	1.1	169	119	41.5
<i>as % of sales</i>	<i>3.1</i>	<i>4.0</i>	<i>1.8</i>	<i>3.1</i>	<i>5.2</i>	<i>3.8</i>			<i>4.4</i>	<i>3.6</i>	
Other expenditure	40	62	26	59	35	35	(43.5)	(0.9)	70	101	(30.9)
<i>as % of sales</i>	<i>2.5</i>	<i>3.6</i>	<i>0.6</i>	<i>2.3</i>	<i>2.2</i>	<i>1.6</i>			<i>1.8</i>	<i>3.1</i>	
EBITDA	847	1,006	2,434	1,362	903	1,155	14.9	27.9	2,059	1,852	11.1
Depreciation	45	58	61	73	65	66	14.4	1.4	131	103	28.0
EBIT	802	948	2,373	1,289	838	1,089	14.9	30.0	1,927	1,750	10.1
Other Income	56	70	218	286	542	343	388.9	(36.7)	884	126	600.2
Interest	1	2	3	0	1	0	(80.0)	(50.0)	1	3	(60.0)
PBT	857	1,016	2,588	1,575	1,379	1,432	40.9	3.8	2,811	1,873	50.1
Total Tax	60	62	570	291	316	317			633	122	
Adjusted PAT	797	954	2,017	1,284	1,063	1,114	16.8	4.8	2,177	1,751	24.3
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	0			0	0	
APAT after MI	797	954	2,017	1,284	1,063	1,114	16.8	4.8	2,177	1,751	24.3
Extra ordinary items	0	0	0	-5	-5	0			-5	0	
Reported PAT	797	954	2,017	1,279	1,058	1,114	16.8	5.4	2,172	1,751	24.0
Reported EPS	2.4	2.91	6.1	3.9	3.2	3.4			6.6	5.3	

Margins (%)							(bps)	(bps)			(bps)
EBIDTA	52.9	59.2	61.6	52.8	56.1	51.9	(725)	(424)	53.7	56.1	-243
EBIT	50.1	55.8	60.0	49.9	52.1	48.9	(682)	(316)	50.3	53.0	-274
EBT	53.5	59.8	65.5	61.0	85.7	64.3	455	(2,140)	73.3	56.7	1655
PAT	49.8	56.1	51.0	49.8	66.1	50.1	(609)	(1,601)	56.8	53.0	373
Effective Tax rate	7.0	6.1	22.0	18.5	22.9	22.2	1,611	(75)	22.5	6.5	1603

Rs mn	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12	YoY (%)	QoQ (%)	H1FY12	H2FY11	YoY (%)
Core Segmental Revenue											
Real Estate	1208	1234	3434	2017	1015	1636	32.6	61.1	2,651	2,442	8.6
Rent	261	265	298	297	317	322	21.5	1.5	639	526	21.5
Hospitality	68	140	220	267	206	188	34.9	(8.7)	394	207	90.3
Total	1537	1639	3952	2580	1539	2146	31.0	39.5	3,685	3,175	16.0

Core Segmental EBITDA											
Real Estate	629	759	2092	972	569	833	9.7	46.5	1,402	1,388	0.9
Rent	240	253	271	297	289	295	16.6	2.1	583	493	18.3
Hospitality	-22	-7	71	94	46	28	(529.2)	(39.6)	74	-29	(358.2)
Total	847	1006	2434	1362	903	1155	14.9	27.9	2,059	1,852	11.1

Core Segmental EBITDA Margin											
Real Estate	52%	62%	61%	48%	56%	51%	(10.6)	(5.1)	53%	57%	(4.0)
Rent	92%	95%	91%	100%	91%	92%	(3.8)	0.5	91%	94%	(2.4)
Hospitality	-33%	-5%	32%	35%	22%	15%	19.5	(7.6)	19%	-14%	32.6
Total	53%	59%	62%	53%	56%	52%	(7.1)	(4.2)	56%	58%	(2.5)

Sq. Ft.	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12	Q2FY12
Area Sold			151421	284537	210346	186036

Financials (consolidated)

Income Statement

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
Net Revenue	7772	9843	9684	15603
Growth (%)		26.7	(1.6)	61.1
Expenditure	3164	4190	3683	5640
Cost of Sales	3043	3766	3184	5033
Employee Cost	70	270	324	373
Other Exp	51	153	174	234
EBITDA	4608	5653	6001	9963
Growth (%)		22.7	6.2	66.0
EBITDA margin (%)	59.3	57.4	62.0	63.9
Depreciation	91	237	280	320
EBIT	4517	5417	5721	9643
EBIT margin (%)	58.1	55.0	59.1	61.8
Other Income	283	744	1376	1533
Interest expenses	0	2	0	0
PBT	4800	6159	7097	11176
Tax	226	983	1598	2551
Effective tax rate (%)	4.7	16.0	22.5	22.8
Adjusted PAT	4574	5176	5500	8625
Growth (%)	86.7	13.2	6.2	56.8
Net Margin (%)	59	53	57	55
(Profit)/loss from JVs/Ass/MI	0	0	0	0
Adjusted PAT After JVs/Ass/MI	4574	5176	5500	8625
E/O items	0	0	0	0
Reported PAT	4574	5176	5500	8625
Growth (%)	86.7	13.2	6.2	56.8

Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
PBT (Ex-Other income)	4447	5033	5337	9259
Depreciation	91	237	280	320
Interest Provided	0	2	0	0
Other Non-Cash items	0	0	0	0
Chg in Working Cap	87	(3089)	(2907)	(3875)
Tax paid	(226)	(983)	(1598)	(2551)
Operating Cashflow	4399	1200	1112	3153
Capital expenditure	1675	1757	2795	(714)
Free Cash Flow	2724	(557)	(1683)	3867
Other income	283	744	1376	1533
Investments	(640)	140	(2114)	0
Investing Cashflow	(357)	884	(738)	1533
Equity Capital Raised	(372)	9662	(743)	(384)
Loans Taken / (Repaid)	(107)	0	0	0
Interest Paid	(0)	(2)	0	0
Dividend paid (incl tax)	70	381	384	384
Income from investments	0	0	0	0
Others	5	(7)	9	0
Financing Cashflow	(405)	10035	(350)	0
Net chg in cash	1962	10362	(2771)	5400
Opening cash position	1669	3631	13993	11222
Closing cash position	3631	13993	11222	16622

Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11P	FY12E	FY13E
Equity share capital	3,246	3,641	3,282	3,282
Reserves & surplus	15,392	29,834	34,950	43,191
Net worth	18,637	33,476	38,232	46,473
Minority Interest	0	0	0	0
Secured Loans	0	0	0	0
Unsecured Loans	0	0	0	0
Loan Funds	0	0	0	0
Net deferred tax liability	(2)	(9)	-	-
Total Liabilities	18,635	33,467	38,232	46,473
Gross Block	3,258	7,997	7,997	7,997
Less: Depreciation	190	415	695	1,015
Net block	3,068	7,581	7,301	6,981
Capital work in progress	5,103	2,110	2,251	1,537
Goodwill	0	0	2,654	2,654
Investment	790	650	2,764	2,764
Current Assets	16,517	29,538	30,128	39,267
Inventories	6,226	7,742	10,581	13,195
Sundry debtors	404	468	478	769
Cash & bank balance	3,631	13,993	11,222	16,622
Loans & advances	6,240	7,163	7,747	8,582
Other current assets	17	173	100	100
Current lia & Prov	6,843	6,412	6,866	6,730
Current liabilities	6,746	6,002	6,456	6,321
Provisions	97	410	410	410
Net current assets	9,675	23,126	23,262	32,537
Total Assets	18,635	33,467	38,232	46,473

Key ratios

Y/E, Mar	FY10	FY11P	FY12E	FY13E
Profitability (%)				
EBITDA Margin	59.3	57.4	62.0	63.9
Net Margin	58.8	52.6	56.8	55.3
ROCE	27.2	20.8	16.0	22.8
ROE	27.7	19.9	15.3	20.4
RoIC	50.2	41.9	29.6	40.6
Per Share Data (Rs)				
EPS	13.9	15.8	16.8	26.3
CEPS	14.2	16.5	17.6	27.3
BVPS	55.7	100.9	116.5	141.6
DPS	0.2	1.0	1.0	1.0
Valuations (x)				
PER	16.9	14.9	14.0	8.9
P / CEPS	16.5	14.2	13.3	8.6
P / BV	4.2	2.3	2.0	1.7
EV / Sales	9.9	7.8	8.0	4.9
EV / EBITDA	16.0	11.2	11.0	6.1
Dividend Yield (%)	0.1	0.4	0.4	0.4
Gearing Ratio (x)				
Net Debt/ Equity	(0.2)	(0.4)	(0.3)	(0.4)
Net Debt/EBIDTA	(0.2)	(0.2)	(0.2)	(0.2)

Recommendation History: Oberoi Realty – OBERV IN

Date	Reports	Reco	CMP	Target
05/09/2011	Oberoi Realty Initiating Coverage	Accumulate	222	272

Recent Research Reports

Date	Reports	Reco	CMP	Target
30/08/2011	Competition Commission of India Visit Note			
11/08/2011	Arshiya International Q1FY12 Result Update	Not Rated	140	NA
04/08/2011	DLF Q1FY12 Result Update	Reduce	223	220
02/08/2011	Phoenix Mills Q1FY12 Result Update	Accumulate	214	231

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