

**October 31, 2013**

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| Rating         | Accumulate |
|----------------|------------|
| Price          | Rs188      |
| Target Price   | Rs228      |
| Implied Upside | 21.3%      |
| Sensex         | 21,165     |
| Nifty          | 6,299      |

*(Prices as on October 31, 2013)*
**Trading data**

|                            |       |
|----------------------------|-------|
| Market Cap. (Rs bn)        | 61.7  |
| Shares o/s (m)             | 328.2 |
| 3M Avg. Daily value (Rs m) | 68.2  |

**Major shareholders**

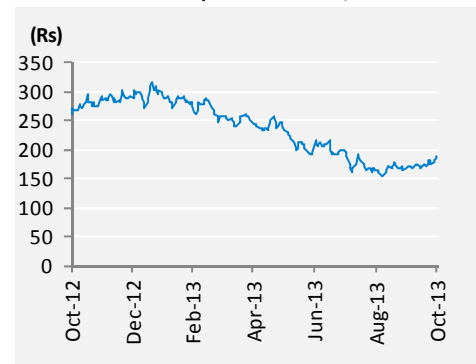
|                |        |
|----------------|--------|
| Promoters      | 75.00% |
| Foreign        | 12.40% |
| Domestic Inst. | 0.83%  |
| Public & Other | 11.77% |

**Stock Performance**

| (%)      | 1M   | 6M     | 12M    |
|----------|------|--------|--------|
| Absolute | 11.2 | (22.9) | (31.1) |
| Relative | 2.0  | (31.4) | (45.5) |

**How we differ from Consensus**

| EPS (Rs) | PL   | Cons. | % Diff. |
|----------|------|-------|---------|
| 2014     | 15.9 | 20.0  | -20.7   |
| 2015     | 22.3 | 27.1  | -17.7   |

**Price Performance (RIC: OEBO.BO, BB: OBER IN)**


Source: Bloomberg

■ **Weak earnings:** The company's sales declined 26.7% YoY and 13.5% QoQ to Rs1.89bn for the quarter on account of weak volumes. Margins were also subdued at 45.5% as against 58.1% in Q2FY13 and 61.1% in Q1FY14, aided by a one-time cost of Rs260m towards approval of *Splendor Grande* under the new DCR regime. PAT for the quarter stood at Rs641m, 48.4% YoY decline and 37% QoQ decline.

■ **Volumes at existing project plummet:** The company's sales volumes at its Goregaon projects were extremely dull during the quarter, declining 67% QoQ and 31% YoY. Although, construction work at *Esquire* was restarted, sales has not witnessed a pick up. For the quarter, the company has accounted for Sales at its Worli Oasis project till date as letters of allotment were issued at the same. Inclusive of those, sales stood at Rs0.15m sq.ft valued at Rs3,997bn.

■ **No significant progress at other projects:** With regards to the Supreme Court proceedings at its Mulund project, although the proceedings have commenced, the outcome still seems a month away. Optimistically, the company is targeting a Q4 launch for the project. At Oasis, the agreement with the hotel operator is not yet finalized and hence, the formal launch is awaited. Leases at *Commerz II* have also been subdued and hence, the overall progress for the company projects has been muted.

■ **Valuations:** The company's NAV stands at Rs99.8bn which translates to Rs304/share. We are assigning a 25% discount to the NAV to arrive at our target price on account of the uncertainty with regards to new project acquisitions as well as regulatory clearances, coupled with the weak macro-economic environment. We maintain '**Accumulate**'.

**Key financials (Y/e March)**

|                 | 2012   | 2013   | 2014E  | 2015E  |
|-----------------|--------|--------|--------|--------|
| Revenues (Rs m) | 8,247  | 10,476 | 11,557 | 16,778 |
| Growth (%)      | (17.2) | 27.0   | 10.3   | 45.2   |
| EBITDA (Rs m)   | 4,835  | 6,121  | 6,685  | 9,803  |
| PAT (Rs m)      | 4,633  | 5,049  | 5,215  | 7,308  |
| EPS (Rs)        | 14.1   | 15.4   | 15.9   | 22.3   |
| Growth (%)      | (10.5) | 9.0    | 3.3    | 40.1   |
| Net DPS (Rs)    | 2.0    | 2.0    | 4.5    | 5.5    |

**Profitability & Valuation**

|                        | 2012 | 2013 | 2014E | 2015E |
|------------------------|------|------|-------|-------|
| EBITDA margin (%)      | 58.6 | 58.4 | 57.8  | 58.4  |
| RoE (%)                | 13.2 | 12.8 | 12.0  | 15.3  |
| RoCE (%)               | 13.1 | 12.8 | 12.0  | 15.3  |
| EV / sales (x)         | 5.9  | 4.9  | 4.6   | 3.3   |
| EV / EBITDA (x)        | 10.1 | 8.3  | 7.9   | 5.7   |
| PE (x)                 | 13.3 | 12.2 | 11.8  | 8.4   |
| P / BV (x)             | 1.7  | 1.5  | 1.4   | 1.2   |
| Net dividend yield (%) | 1.1  | 1.1  | 2.4   | 2.9   |

Source: Company Data; PL Research

**Exhibit 1: Q2FY14 Result Overview (Rs m)**

| Y/e March                     | Q2FY14       | Q2FY13       | YoY gr. (%)   | Q1FY14       | H1FY14       | H1FY13       | YoY gr. (%)   |
|-------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|---------------|
| <b>Sales</b>                  | <b>1,890</b> | <b>2,577</b> | <b>(26.7)</b> | <b>2,184</b> | <b>4,074</b> | <b>4,576</b> | <b>(11.0)</b> |
| <b>Expenditure</b>            |              |              |               |              |              |              |               |
| Cost of construction          | 845          | 910          | (7.2)         | 689          | 1,534        | 1,607        | (4.6)         |
| <i>% of Net Sales</i>         | <i>44.7</i>  | <i>35.3</i>  |               | <i>31.5</i>  | <i>37.6</i>  | <i>35.1</i>  |               |
| Staff cost                    | 116          | 98           | 18.3          | 97           | 213          | 194          | 9.7           |
| <i>% of Net Sales</i>         | <i>6.1</i>   | <i>3.8</i>   |               | <i>4.4</i>   | <i>5.2</i>   | <i>4.2</i>   |               |
| Other exp                     | 69           | 73           | (6.0)         | 63           | 132          | 140          | (5.9)         |
| <i>% of Net Sales</i>         | <i>3.6</i>   | <i>2.8</i>   |               | <i>2.9</i>   | <i>3.2</i>   | <i>3.1</i>   |               |
| Total Expenses                | 1,029        | 1,081        | (4.8)         | 849          | 1,878        | 1,941        | (3.2)         |
| <b>EBITDA</b>                 | <b>861</b>   | <b>1,496</b> | <b>(42.5)</b> | <b>1,335</b> | <b>2,196</b> | <b>2,635</b> | <b>(16.7)</b> |
| <i>EBITDA Margin (%)</i>      | <i>45.5</i>  | <i>58.1</i>  |               | <i>61.1</i>  | <i>53.9</i>  | <i>57.6</i>  |               |
| Depreciation                  | 68           | 71           | (5.0)         | 69           | 137          | 142          | (3.7)         |
| Other Income                  | 127          | 250          | (49.2)        | 210          | 337          | 559          | (39.7)        |
| <b>EBIT</b>                   | <b>920</b>   | <b>1,675</b> | <b>(45.1)</b> | <b>1,476</b> | <b>2,396</b> | <b>3,052</b> | <b>(21.5)</b> |
| Less: Interest                | 1            | 1            | (18.2)        | 1            | 2            | 2            | (34.8)        |
| <b>PBT</b>                    | <b>919</b>   | <b>1,674</b> | <b>(45.1)</b> | <b>1,476</b> | <b>2,395</b> | <b>3,050</b> | <b>(21.5)</b> |
| Tax                           | 278          | 430          | (35.4)        | 457          | 735          | 798          | (7.9)         |
| <i>Effective Tax Rate (%)</i> | <i>30.2</i>  | <i>25.7</i>  |               | <i>31.0</i>  | <i>30.7</i>  | <i>26.2</i>  |               |
| <b>PAT</b>                    | <b>641</b>   | <b>1,244</b> | <b>(48.4)</b> | <b>1,018</b> | <b>1,660</b> | <b>2,252</b> | <b>(26.3)</b> |

Source: Company Data, PL Research

**Income Statement (Rs m)**

| Y/e March                  | 2012         | 2013          | 2014E         | 2015E         |
|----------------------------|--------------|---------------|---------------|---------------|
| <b>Net Revenue</b>         | <b>8,247</b> | <b>10,476</b> | <b>11,557</b> | <b>16,778</b> |
| Raw Material Expenses      | 2,960        | 3,715         | 4,190         | 6,171         |
| Gross Profit               | 5,287        | 6,761         | 7,367         | 10,607        |
| Employee Cost              | 329          | 383           | 402           | 483           |
| Other Expenses             | 123          | 257           | 280           | 321           |
| <b>EBITDA</b>              | <b>4,835</b> | <b>6,121</b>  | <b>6,685</b>  | <b>9,803</b>  |
| Depr. & Amortization       | 269          | 285           | 335           | 365           |
| Net Interest               | 3            | 4             | —             | —             |
| Other Income               | 1,501        | 999           | 697           | 573           |
| <b>Profit before Tax</b>   | <b>6,063</b> | <b>6,831</b>  | <b>7,047</b>  | <b>10,011</b> |
| Total Tax                  | 1,430        | 1,783         | 1,832         | 2,703         |
| <b>Profit after Tax</b>    | <b>4,633</b> | <b>5,049</b>  | <b>5,215</b>  | <b>7,308</b>  |
| Ex-Od items / Min. Int.    | —            | —             | —             | —             |
| <b>Adj. PAT</b>            | <b>4,633</b> | <b>5,049</b>  | <b>5,215</b>  | <b>7,308</b>  |
| <b>Avg. Shares O/S (m)</b> | <b>328.2</b> | <b>328.2</b>  | <b>328.2</b>  | <b>328.2</b>  |
| <b>EPS (Rs.)</b>           | <b>14.1</b>  | <b>15.4</b>   | <b>15.9</b>   | <b>22.3</b>   |

**Cash Flow Abstract (Rs m)**

| Y/e March           | 2012    | 2013    | 2014E   | 2015E   |
|---------------------|---------|---------|---------|---------|
| C/F from Operations | 2,439   | (360)   | 1,165   | 3,394   |
| C/F from Investing  | (2,815) | (1,120) | (1,204) | (3,986) |
| C/F from Financing  | (680)   | (729)   | (1,864) | (2,098) |
| Inc. / Dec. in Cash | (1,056) | (2,209) | (1,902) | (2,690) |
| Opening Cash        | 13,990  | 12,934  | 10,725  | 8,822   |
| Closing Cash        | 12,934  | 10,725  | 8,823   | 6,132   |
| FCFF                | 2,748   | (469)   | 776     | 2,985   |
| FCFE                | 2,748   | (469)   | 776     | 2,985   |

**Key Financial Metrics**

| Y/e March               | 2012   | 2013  | 2014E | 2015E |
|-------------------------|--------|-------|-------|-------|
| <b>Growth</b>           |        |       |       |       |
| Revenue (%)             | (17.2) | 27.0  | 10.3  | 45.2  |
| EBITDA (%)              | (16.2) | 26.6  | 9.2   | 46.6  |
| PAT (%)                 | (10.5) | 9.0   | 3.3   | 40.1  |
| EPS (%)                 | (10.5) | 9.0   | 3.3   | 40.1  |
| <b>Profitability</b>    |        |       |       |       |
| EBITDA Margin (%)       | 58.6   | 58.4  | 57.8  | 58.4  |
| PAT Margin (%)          | 56.2   | 48.2  | 45.1  | 43.6  |
| RoCE (%)                | 13.1   | 12.8  | 12.0  | 15.3  |
| RoE (%)                 | 13.2   | 12.8  | 12.0  | 15.3  |
| <b>Balance Sheet</b>    |        |       |       |       |
| Net Debt : Equity       | (0.3)  | (0.3) | (0.2) | (0.1) |
| Net Wrkng Cap. (days)   | 1,248  | 1,204 | 1,410 | 997   |
| <b>Valuation</b>        |        |       |       |       |
| PER (x)                 | 13.3   | 12.2  | 11.8  | 8.4   |
| P / B (x)               | 1.7    | 1.5   | 1.4   | 1.2   |
| EV / EBITDA (x)         | 10.1   | 8.3   | 7.9   | 5.7   |
| EV / Sales (x)          | 5.9    | 4.9   | 4.6   | 3.3   |
| <b>Earnings Quality</b> |        |       |       |       |
| Eff. Tax Rate           | 23.6   | 26.1  | 26.0  | 27.0  |
| Other Inc / PBT         | 24.8   | 14.6  | 9.9   | 5.7   |
| Eff. Depr. Rate (%)     | 3.5    | 3.7   | 4.1   | 4.2   |
| FCFE / PAT              | 59.3   | (9.3) | 14.9  | 40.8  |

Source: Company Data, PL Research.

**Balance Sheet Abstract (Rs m)**

| Y/e March                     | 2012          | 2013          | 2014E         | 2015E         |
|-------------------------------|---------------|---------------|---------------|---------------|
| Shareholder's Funds           | 37,341        | 41,621        | 45,119        | 50,329        |
| Total Debt                    | —             | —             | —             | —             |
| Other Liabilities             | 78            | 147           | —             | —             |
| <b>Total Liabilities</b>      | <b>37,420</b> | <b>41,769</b> | <b>45,119</b> | <b>50,329</b> |
| Net Fixed Assets              | 9,850         | 10,714        | 11,583        | 15,205        |
| Goodwill                      | 2,654         | 2,654         | 2,654         | 2,654         |
| Investments                   | —             | —             | —             | —             |
| Net Current Assets            | 24,916        | 28,400        | 30,882        | 32,471        |
| <i>Cash &amp; Equivalents</i> | <i>12,934</i> | <i>10,725</i> | <i>8,822</i>  | <i>6,132</i>  |
| <i>Other Current Assets</i>   | <i>22,407</i> | <i>28,797</i> | <i>34,339</i> | <i>39,375</i> |
| <i>Current Liabilities</i>    | <i>10,426</i> | <i>11,122</i> | <i>12,279</i> | <i>13,036</i> |
| Other Assets                  | —             | —             | —             | —             |
| <b>Total Assets</b>           | <b>37,420</b> | <b>41,769</b> | <b>45,119</b> | <b>50,329</b> |

**Quarterly Financials (Rs m)**

| Y/e March                | Q3FY13       | Q4FY13       | Q1FY14       | Q2FY14       |
|--------------------------|--------------|--------------|--------------|--------------|
| <b>Net Revenue</b>       | <b>2,861</b> | <b>3,039</b> | <b>2,184</b> | <b>1,890</b> |
| <b>EBITDA</b>            | <b>1,707</b> | <b>1,779</b> | <b>1,335</b> | <b>861</b>   |
| <i>% of revenue</i>      | <i>59.7</i>  | <i>58.5</i>  | <i>61.1</i>  | <i>45.5</i>  |
| Depr. & Amortization     | 71           | 72           | 69           | 68           |
| Net Interest             | 1            | 1            | 1            | 1            |
| Other Income             | 219          | 221          | 210          | 127          |
| <b>Profit before Tax</b> | <b>1,854</b> | <b>1,928</b> | <b>1,476</b> | <b>919</b>   |
| Total Tax                | 509          | 475          | 457          | 278          |
| <b>Profit after Tax</b>  | <b>1,345</b> | <b>1,452</b> | <b>1,018</b> | <b>641</b>   |
| <b>Adj. PAT</b>          | <b>1,345</b> | <b>1,451</b> | <b>1,018</b> | <b>641</b>   |

**Key Operating Metrics**

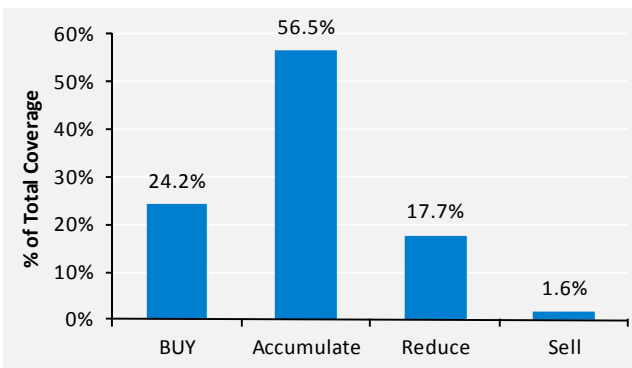
| Y/e March                 | 2012   | 2013   | 2014E  | 2015E  |
|---------------------------|--------|--------|--------|--------|
| Sales Volume (msf)        | 0.7    | 0.5    | 0.9    | 2.3    |
| Sales Value (Rs m)        | 9,508  | 8,687  | 19,939 | 40,211 |
| Sales Realization (Rs/sf) | 13,753 | 17,500 | 22,594 | 17,709 |

Source: Company Data, PL Research.



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**Rating Distribution of Research Coverage**



**PL's Recommendation Nomenclature**

|                       |  |                          |  |
|-----------------------|--|--------------------------|--|
| <b>BUY</b>            | : Over 15% Outperformance to Sensex over 12-months | <b>Accumulate</b>        | : Outperformance to Sensex over 12-months            |
| <b>Reduce</b>         | : Underperformance to Sensex over 12-months        | <b>Sell</b>              | : Over 15% underperformance to Sensex over 12-months |
| <b>Trading Buy</b>    | : Over 10% absolute upside in 1-month              | <b>Trading Sell</b>      | : Over 10% absolute decline in 1-month               |
| <b>Not Rated (NR)</b> | : No specific call on the stock                    | <b>Under Review (UR)</b> | : Rating likely to change shortly                    |

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