

Omaxe Ltd

Margins to remain under pressure

Fundamental Grade 2/5 (Moderate fundamentals)

Valuation Grade 2/5 (CMP has downside)

Industry Real Estate Management & Development

Omaxe Ltd's Q3FY12 consolidated revenues were broadly in line while earnings were below CRISIL Research's expectations due to lower margins. Rising input costs, higher carrying costs and interest burden have taken a toll on margins. Owing to limited traction in bookings and delays in project execution due to slowdown in the industry, we lower our earnings estimates for FY12 and FY13. We maintain the fundamental grade of **2/5**.

Q3FY12 result analysis

- Consolidated revenues grew 29.8% y-o-y (down 0.5% q-o-q) to Rs 4.5 bn, driven by plot sales and faster execution of the ongoing projects. Bookings during the quarter remained healthy at 2.42 mn sq.ft. (plot sales contributed 70% to total bookings) vs. 2.24 mn sq.ft. in Q2FY12.
- EBITDA margin declined by 680 bps y-o-y and 240 bps q-o-q to 11.5% due to increase in raw material and higher carrying costs. The real estate business' EBIT margins declined 630 bps y-o-y (down 170 bps q-o-q) to 19% and the construction segment's EBIT margins witnessed a sharp decline of 1,170 bps y-o-y (down 340 bps q-o-q) to 1%.
- PAT declined by 14.4% y-o-y (down 29.2% q-o-q) to Rs 193 mn mainly due to decline in margins. EPS was Rs 1.3 in Q3FY11 to Rs 1.1 in Q3FY12.

Earnings estimates – revised downwards

Factoring in a slowdown in the real estate industry, we have considered delays in project execution and slow traction in bookings. Therefore, we lower our revenue estimates by 5% and 6% for FY12 and FY13, respectively. Since rising input costs and higher interest cost continue to impact the developer's margins, we lower our EBITDA margin estimates by ~100 bps for FY12 and FY13. Accordingly, earnings estimates has been revised downwards by 20% to Rs 4.9 for FY12 and 18.5% for Rs 7.8 in FY13.

Valuations: Current market price has downside

We continue to use the sum-of-the parts method (net asset value method for the real estate business and price-to-earnings multiple for the construction business) to value Omaxe and maintain the fair value of Rs 125 per share. Based on the current market price, the valuation grade is **2/5**.

KEY FORECAST (CONSOLIDATED)

| (Rs mn) | FY09 | FY10 | FY11 | FY12E | FY13E |
|--------------------|--------|--------|--------|--------|--------|
| Operating income | 8,789 | 10,046 | 15,284 | 17,155 | 20,873 |
| EBITDA | 1,553 | 2,015 | 2,197 | 2,361 | 3,089 |
| Adj PAT | 444 | 902 | 888 | 853 | 1,351 |
| Adj EPS-Rs | 2.6 | 5.2 | 5.1 | 4.9 | 7.8 |
| EPS growth (%) | (91.0) | 103.4 | (1.6) | (3.9) | 58.4 |
| Dividend yield (%) | - | - | - | - | - |
| RoCE (%) | 4.2 | 5.7 | 6.4 | 6.9 | 8.7 |
| RoE (%) | 3.1 | 5.9 | 5.4 | 4.9 | 7.2 |
| PE (x) | 61.5 | 30.2 | 30.7 | 32.0 | 20.2 |
| P/BV (x) | 1.8 | 1.7 | 1.6 | 1.5 | 1.4 |
| EV/EBITDA (x) | 29.6 | 21.6 | 18.8 | 17.3 | 13.4 |

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

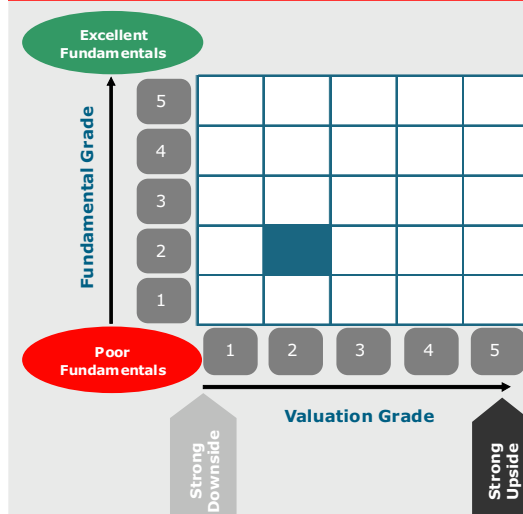


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Fair Value Rs 125

CMP Rs 157

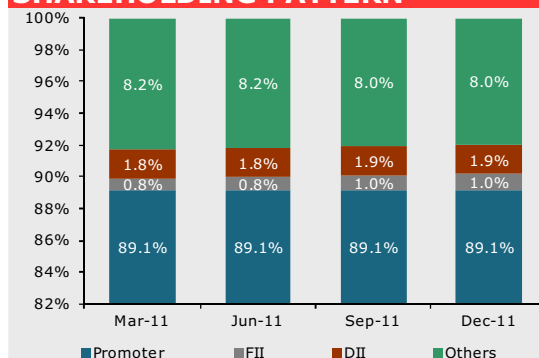
CFV MATRIX



KEY STOCK STATISTICS

| | |
|------------------------------------|------------|
| NIFTY / SENSEX | 5505/18145 |
| NSE / BSE ticker | OMAXE |
| Face value (Rs per share) | 10 |
| Shares outstanding (mn) | 174 |
| Market cap (Rs mn)/(US\$ mn) | 27,276/554 |
| Enterprise value (Rs mn)/(US\$ mn) | 41,295/839 |
| 52-week range (Rs) (H/L) | 161/116 |
| Beta | 1.6 |
| Free float (%) | 10.9% |
| Avg daily volumes (30-days) | 238,722 |
| Avg daily value (30-days) (Rs mn) | 36 |

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

| | Returns | | | |
|-------|---------|-----|-----|------|
| | 1-m | 3-m | 6-m | 12-m |
| Omaxe | 9% | 15% | 26% | 19% |
| NIFTY | 9% | 14% | 12% | 1% |

ANALYTICAL CONTACT

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