

RESULT UPDATE

MID CAP

Share Data

Reuters code	OMAX.BO
Bloomberg code	OAXE IN
Market cap. (US\$ mn)	520
6M avg. daily turnover (US\$ mn)	0.4
Issued shares (mn)	174
Target price (Rs)	152

Performance (%)	1M	3M	12M
Absolute	9	(0)	10
Relative	(3)	(1)	11

Valuation ratios

Yr to 31 Mar	FY12E	FY13E
Adj. EPS (Rs)	5.0	7.2
+/- (%)	(5.6)	42.6
PER (x)	29.3	20.5
PBV (x)	1.5	1.4
Dividend/Yield (%)	1.0	1.0
EV/Sales (x)	2.4	2.0
EV/EBITDA (x)	17.2	15.0

Major shareholders (%)

Promoters	89
FII's	1
MF's	2
Bodies Corporate	5
Public & Others	3

Financial highlights

(Rs mn)	3QFY11	3QFY12	YoY (%)	2QFY12	QoQ (%)	9MFY11	9MFY12	YoY (%)	FY11	FY12E	YoY (%)	FY13E	YoY (%)
Net Sales	3,480	4,518	29.8	4,541	(0.5)	9,553	12,350	29.3	15,216	16,302	7.1	18,907	16.0
EBITDA	635	518	(18.4)	629	(17.6)	1,917	1,719	(10.3)	2,145	2,249	4.8	2,556	13.7
EBITDA margin (%)	18.2	11.5	-	13.8	-	20.1	13.9	-	14.1	13.8	-	13.5	-
Depreciation	12	15	18.4	14	5.8	34	40	17.5	48	58	21.5	67	16.1
Other income	38	97	157.7	84	15.5	112	228	104.1	231	301	30.0	301	-
Interest paid	308	325	5.7	328	(0.7)	813	965	18.6	1,047	1,273	21.5	1,052	(17.4)
PBT	352	275	(22.0)	371	(25.9)	1,182	943	(20.2)	1,282	1,219	(4.9)	1,738	42.6
Tax (current + deferred)	126	81	(35.5)	98	(16.6)	371	276	(25.6)	355	344	(3.1)	490	42.6
Net profit	226	193	(14.4)	273	(29.2)	810	667	(17.8)	927	876	(5.6)	1,248	42.6
Net income	226	193	(14.4)	273	(29.2)	811	667	(17.8)	927	876	(5.6)	1,248	42.6
Adjusted net profit	226	193	(14.4)	273	(29.2)	811	667	(17.8)	927	876	(5.6)	1,248	42.6
Adjusted EPS (Rs)	1.3	1.1	(14.4)	1.6	(29.2)	4.7	3.8	(17.8)	5.3	5.0	(5.6)	7.2	42.6

Omaxe

Maintain Outperformer

Price: Rs 148

BSE Index: 17,707

08 February 2012

3QFY12 Result – Healthy top-line... but dismal construction margins drag profitability

Omaxe reported better than expected top-line (at Rs 4.5 bn versus B&K est. Rs 4.0 bn) for the quarter. However, despite clear over-performance at the top-line, dismal margin performance by Construction division proved to be a drag on the overall profitability (Adjusted PAT at Rs 193 mn versus B&K est. of Rs 226 mn). Real Estate segment, too, witnessed margin pressure owing to change in product mix and inflationary pressures.

The management commentary cites intensifying competition in Tier II and III cities, but, we believe, the company, given its first mover advantage, in-house execution capabilities and low cost land bank, would be able to outdo its competitors and shall continue to grow. Focus on plotted development and low rise (with less construction commitments) for early monetisation would help the company to generate cash flows for future growth. However, we are not comfortable with acquisition of new land parcels. We would have preferred de-leveraging over land acquisition. Maintain Outperformer with an estimated fair value per share (FVPS) of Rs 152.

Highlights - Real Estate

- Higher contribution from relatively low margin low-rise developments (independent floors) coupled with inflationary pressures led to segment margin compress by ~6 percentage points YoY and 2 percentage points QoQ to 19%.
- The management cited better demand for low rise development vis-à-vis relatively high rise developments in Tier II and III cities.
- Though volume at 2.4 mn sq ft improved sequentially, in value terms the number was down by ~56% to ~Rs 2 bn. The drop is largely attributable to significant proportion of plotted sales.

- Weighted average realisation for the area booked during the quarter stood at Rs 819 per sq ft, sequentially down by ~59%.
- The quarter witnessed incremental launches of ~0.85 mn sq ft across 5 geographies, taking the total launches for 9MFY12 to 3.4 mn sq ft. Going forward, the management expects Non-NCR launches to gain significance, given better demand-supply equation.

Highlights - Construction

- Cost resets on projects nearing completion resulted in margin pressure for construction division, down 19.6 percentage points YoY and 11.3 percentage points QoQ to 3.0%. Although the cost resets have been booked during the quarter, booking of corresponding revenue, pending confirmation from the counter parties, is yet to take place.
- As at 31 December 2011, pending third party construction order book stood at ~Rs 8.2 bn. Average execution cycle of 2.5 years would mean construction revenues continue to trickle for foreseeable future. However, further earnings traction would largely depend on new order wins.
- As per the management, unexecuted construction order book would yield sustainable segment margins of ~8-9%.

Highlights - Others

- Despite healthy customer receipts of ~Rs 4.4 bn, cash outlay for land acquisition (~Rs 0.9 bn) and interest payments of ~Rs 0.5 bn made the company incrementally borrow (net of payments) ~Rs 0.5 bn.
- Net debt, as at 31 December 2011, stood at Rs 12.8 bn. The management expects the debt to remain at the current level.

Pre-sales trend

	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12
Plotted development	1.6	1.4	1.5	1.2	1.7
Built up (Villas, GH, Floors)	0.8	0.3	0.7	1.0	0.5
Commercial (Plotted, Built up)	0.3	0.4	0.4	0.1	0.2
Volume (Mn sq ft)	2.7	2.1	2.6	2.3	2.4
Sale Value (Rs mn)	6,445	2,640	5,222	4,537	1,980
Realisation (Rs per sq ft)	2,378	1,251	1,993	2,016	818

Source: Company, B&K Research

Segment Highlights

(Rs mn)	3QFY11	3QFY12	YoY (%)	2QFY12	QoQ (%)	9MFY11	9MFY12	YoY (%)
Segment Revenue								
Real Estate projects	2,835	4,065	43.4	4,051	0.3	7,786	10,601	36.2
Construction contracts	1,141	1,308	14.5	1,545	(15.4)	2,505	4,135	65.1
Unallocated	0	2	2,189.5	7	(75.0)	304	12	(95.9)
Total	3,976	5,374	35.1	5,603	(4.1)	10,595	14,748	39.2
Less: Inter-segment revenue	497	856	72.3	1,061	(19.4)	1,041	2,398	130.3
Total Sales/Income	3,480	4,518	29.8	4,541	(0.5)	9,553	12,350	29.3
Segment Results								
Real Estate projects	717	770	7.4	837	(7.9)	2,257	2,368	4.9
Construction contracts	146	13	(90.8)	69	(80.4)	306	147	(51.9)
Unallocated	-	-	-	-	-	-	-	-
Total	863	784	(9.2)	905	(13.4)	2,564	2,515	(1.9)
Segment Margins (%)								
Real Estate projects	25.3	19.0	-	20.7	-	29.0	22.3	-
Construction contracts	22.6	3.0	-	14.2	-	20.9	8.5	-
Unallocated	-	-	-	-	-	-	-	-
Blended	24.8	17.3	-	19.9	-	26.8	20.4	-
Segment Capital Employed								
Real Estate projects	29,649	28,014	(5.5)	28,021	(0.0)	29,649	28,014	(5.5)
Construction contracts	545	1,280	134.9	917	39.6	545	1,280	134.9
Unallocated	2,840	3,105	9.3	2,735	13.5	2,840	3,105	9.3
Total	33,034	32,399	(1.9)	31,673	2.3	33,034	32,399	(1.9)

Source: Company, B&K Research

Key balance sheet details

(Rs mn)	3QFY11	4QFY11	1QFY12	2QFY12	3QFY12
Net Worth	16,660	16,778	16,977	17,268	17,478
Consolidated Gross debt*	16,372	15,523	14,775	14,403	14,919
Cash and Bank balance	1,929	1,946	1,996	1,842	2,140
Inventory	NA	12,147	13,077	12,394	13,333
Work in Progress	74,785	57,913	60,242	64,231	68,242
Net Current Assets	31,971	31,196	30,605	30,501	31,222
Cumulative Net Customer Advances	49,346	36,839	40,078	42,237	47,264
Net debt to equity (%)	86.7	80.9	75.3	72.7	73.1

Source: Company, B&K Research

*Including deferred land payment

Income Statement

Yr end 31 Mar (Rs mn)	FY10	FY11	FY12E	FY13E
Net sales	10,012	15,216	16,302	18,907
<i>Growth (%)</i>	25.3	52.0	7.1	16.0
Operating expenses	(8,046)	(13,071)	(14,053)	(16,350)
Operating profit	1,966	2,145	2,249	2,556
EBITDA	1,966	2,145	2,249	2,556
<i>Growth (%)</i>	32.7	9.1	4.8	13.7
Depreciation	(45)	(48)	(58)	(67)
Other income	135	231	301	301
EBIT	2,055	2,329	2,492	2,790
Interest paid	(1,021)	(1,047)	(1,273)	(1,052)
Pre-tax profit	1,034	1,282	1,219	1,738
(before non-recurring items)				
Pre-tax profit	1,034	1,282	1,219	1,738
(after non-recurring items)				
Tax (current + deferred)	91	(355)	(344)	(490)
Net profit (before Minority Interest, Pref. Dividend, etc.)	1,126	927	876	1,248
Preference dividend	11	6	5	7
Reported PAT	1,125	927	876	1,248
Adjusted net profit	1,125	927	876	1,248
<i>Growth (%)</i>	140.8	(17.6)	(5.6)	42.6

Balance Sheet

Yr end 31 Mar (Rs mn)	FY10	FY11	FY12E	FY13E
Cash & Marketable securities	1,757	1,946	1,649	449
Other current Assets	40,399	42,553	44,071	43,375
Investments	106	105	105	105
Net fixed assets	771	934	936	993
Other non-current assets	112	68	68	68
Total assets	43,145	45,606	46,829	44,990
Current liabilities	9,187	13,303	14,871	13,569
Total Debt	18,137	15,523	14,618	13,137
Total liabilities	27,324	28,826	29,489	26,706
Share capital	1,736	1,736	1,736	1,736
Reserves & surplus	14,083	15,042	15,602	16,546
Shareholders' funds	15,818	16,778	17,338	18,282
Minorities interests	2	2	2	2
Total equity & liabilities	43,145	45,606	46,829	44,990
Capital employed	33,958	32,303	31,958	31,421

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY10	FY11	FY12E	FY13E
Pre-tax profit	1,034	1,282	1,219	1,738
Depreciation	60	18	58	67
Chg in working capital	1,053	1,962	(254)	(606)
Total tax paid	62	(310)	(344)	(490)
Cash flow from oper. (a)	2,209	2,951	679	709
Capital expenditure	(82)	(181)	(60)	(124)
Chg in investments	(0)	1	-	-
Cash flow from inv. (b)	(82)	(181)	(60)	(124)
Chg in minorities	0	(1)		
Debt raised/(repaid)	(1,695)	(2,614)	(905)	(1,482)
Dividend (incl. tax)	-	-	(0)	(305)
Other financing activities	18	32	(11)	1
Cash flow from fin. (c)	(1,677)	(2,582)	(916)	(1,785)
Net chg in cash (a+b+c)	449	189	(297)	(1,200)

Key Ratios

Yr end 31 Mar (%)	FY10	FY11	FY12E	FY13E
Adjusted EPS (Rs)	6.5	5.3	5.0	7.2
Growth	140.8	(17.6)	(5.6)	42.6
Book NAV/share (Rs)	91.2	96.7	99.9	105.3
Dividend/share (Rs)	-	0.0	1.5	1.5
Dividend Payout Ratio	-	0.0	34.8	24.4
Tax	(8.8)	27.7	28.2	28.2
EBITDA margin	19.6	14.1	13.8	13.5
EBIT margin	20.5	15.3	15.3	14.8
RoCE	6.0	7.0	7.8	8.8
Net debt/Equity	103.5	80.9	74.8	69.4

Valuations

Yr end 31 Mar (x)	FY10	FY11	FY12E	FY13E
PER	22.8	27.6	29.3	20.5
PCE	21.9	26.3	27.4	19.5
Price/Book	1.6	1.5	1.5	1.4
Yield (%)		0.0	1.0	1.0
EV/Net sales	4.2	2.6	2.4	2.0
EV/EBITDA	21.4	18.3	17.2	15.0

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY10	FY11	FY12E	FY13E
Net margin (%)	11.2	6.1	5.4	6.6
Asset turnover	0.2	0.3	0.4	0.4
Leverage factor	2.8	2.7	2.7	2.6
Return on equity (%)	7.4	5.7	5.1	7.0

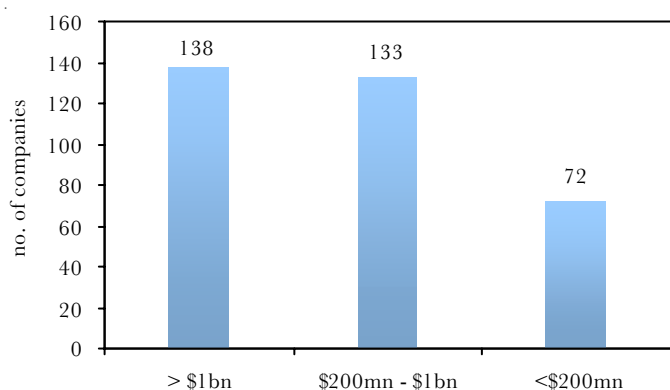
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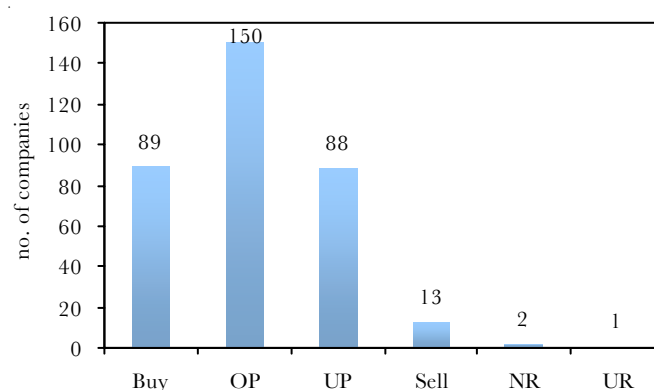
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B&K Universe Profile

By Market Cap (US\$ mn)



By Recommendation



B&K Securities is the trading name of Batlivala & Karani Securities India Pvt. Ltd.

B&K Investment Ratings:

1. **BUY:** Potential upside of > +25% (absolute returns)
2. **OUTPERFORMER:** 0 to +25%
3. **UNDERPERFORMER:** 0 to -25%
4. **SELL:** Potential downside of < -25% (absolute returns)

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