

RESULT UPDATE

MID CAP

Share Data

Reuters code	OMAX.BO
Bloomberg code	OAXE IN
Market cap. (US\$ mn)	490
6M avg. daily turnover (US\$ mn)	0.5
Issued shares (mn)	174
Target price (Rs)	158

Performance (%)	1M	3M	12M
Absolute	2	6	22
Relative	2	(1)	19

Valuation ratios

Yr to 31 Mar	FY13E	FY14E
Adj. EPS (Rs)	5.9	7.1
+/- (%)	13.2	20.3
PER (x)	26.5	22.1
PBV (x)	1.5	1.4
EV/Sales (x)	2.0	1.8
EV / EBITDA (x)	15.0	13.5

Major shareholders (%)

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

Financial highlights

(Rs mn)	1QFY12	1QFY13	YoY (%)	4QFY12	QoQ (%)	FY12	FY13E	YoY (%)	FY14E	YoY (%)
Net Sales*	3,312	3,683	11.2	6,036	(39.0)	18,487	19,584	5.9	21,058	7.5
EBITDA	594	534	(10.1)	525	1.6	2,346	2,561	9.1	2,864	11.8
EBITDA margin (%)	17.9	14.5	-	8.7	-	12.7	13.1	-	13.6	-
Depreciation	12	15	27.4	18	(14.8)	58	89	52.6	91	2.7
Other income	27	64	136.1	97	(34.2)	224	214	(4.5)	213	(0.3)
Interest paid	311	326	4.6	354	(8.0)	1,319	1,264	(4.1)	1,277	1.0
PBT	297	257	(13.5)	251	2.4	1,194	1,422	19.1	1,710	20.3
Tax (current + deferred)	97	75	(22.4)	14	456.7	290	398	37.4	479	20.3
Net profit	200	182	(9.3)	237	(23.5)	904	1,024	13.2	1,231	20.3
Adjusted net profit	200	182	(9.2)	237	(23.4)	904	1,024	13.2	1,231	20.3
Adjusted EPS (Rs)	1.2	1.0	(9.2)	1.4	(23.4)	5.2	5.9	13.2	7.1	20.3

*Net sales includes other operating income.

Omaxe

Maintain Outperformer

Price: Rs 157

BSE Index: 17,633

13 August 2012

1QFY13 Result – Impressive uptick in margins

Sequential improvement in margins across both the verticals was the key highlight in the quarter's performance. Margins for Real Estate segment improved from ~17% to ~32%; whereas margin for Construction segment improved by ~7 percentage points to ~12%. For Real Estate in particular, management highlighted change in accounting policy for "Selling and Admin expenses", pursuant to adoption of new revenue recognition policy, as the key reason for sequential as well as YoY improvement. This apart, relatively higher contribution from projects with better margin profile (especially Chandigarh), too, came in to aid margins. In Construction segment, margin improvement is attributable to coupled effect of margin loading in accordance with project construction stage and booking of construction revenues on project in JV with Azorim, "The Forest", Faridabad.

Despite lower than anticipated top-line, healthy margins and a sequential reduction of 8% in interest expenses trickled down to help post better than expected earnings (Rs 182 mn versus B&K: Rs 44 mn).

Outlook

With demand for housing in Tier II and III cities relatively unscathed, especially when demand in Tier I cities remains static, increasing number of players have now started to focus on Tier II and III cities. Given this, competitive intensity in Tier II and III cities is on an uptrend. However, 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 continue to grow. Continued focus on plotted development and low rise (with less construction commitments) would help the company to generate cash flows for future growth. The same is evident from consistent cash flow generation and de-leveraging, especially when its peers are hardly able to make the ends meet. Maintain Outperformer with an estimated fair value per share (FVPS) of Rs 158.

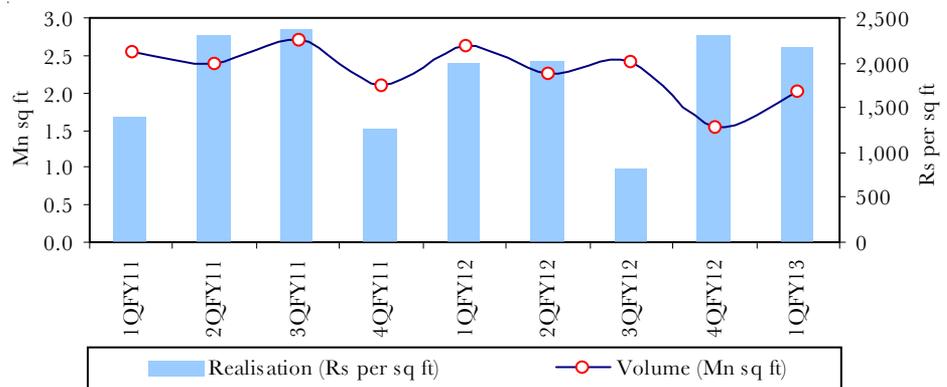
Highlights

- Incremental launches of ~1.6 mn sq ft strategically comprised launches in low rise development vertical. The company, during the quarter, launched two Villa developments, three independent floor developments and two plotted developments.
- Sales to launch ratio, too, stood healthy at 76%, indicating healthy demand for low rise developments.
- On sequential basis, incremental bookings improved, both, in value as well as volume term. Volume at ~2 mn sq ft improved by ~31%; whilst sale value improved by ~24% to ~Rs 4.4 bn. Relatively lower growth in value is attributable to high contribution from relatively low realisation plotted development (27% versus 43%).
- On YoY basis, volume and value, both, were down by ~23% and ~17%, respectively.
- In Construction division, as at 30 June 2012, pending construction order book stood at ~Rs 10.2 bn. As per the management, unexecuted construction order book would yield sustainable segment margins of ~8-9%.
- The company, during the quarter, managed to reduce debt by ~Rs 0.6 bn. De-leveraging took place as the company could manage cash receipts of Rs 5.6 bn.
- Debt repayable over next three months and nine months stood at ~Rs 1.2 bn and ~Rs 3.8 bn, respectively.

Segment Highlights

(Rs mn)	1QFY12	1QFY13	YoY (%)	4QFY12	QoQ (%)
Segment revenue					
Real Estate projects	2,504	3,185	27.2	5,004	(36.3)
Construction contracts	1,285	1,335	3.9	2,334	(42.8)
Unallocated	4	102	2,666.4	53	90.6
Total	3,792	4,622	21.9	7,391	(37.5)
Less: Inter-segment revenue	481	939	95.4	1,355	(30.7)
Total Sales/Income	3,312	3,683	11.2	6,036	(39.0)
Segment Results					
Real Estate projects	779	1,022	31.2	833	22.7
Construction contracts	67	47	(29.8)	47	0.2
Total	846	1,070	26.4	881	21.5
Segment Margins (%)					
Real Estate projects	31.1	32.1	–	16.7	–
Construction contracts	8.4	11.9	–	4.8	–
Blended	25.6	29.0	–	14.6	–
Segment Capital Employed					
Real Estate projects	26,011	23,005	(11.6)	24,151	(4.7)
Construction contracts	713	2,015	182.6	1,335	51.0
Unallocated	2,761	3,358	21.6	3,271	2.7
Total	29,485	28,378	(3.8)	28,757	(1.3)

Pres-sales trend



Source: Company, B&K Research

Income Statement

Yr end 31 Mar (Rs mn)	FY11	FY12	FY13E	FY14E
Net sales	15,259	18,487	19,584	21,058
<i>Growth (%)</i>	52.4	21.2	5.9	7.5
Operating expenses	(13,071)	(16,141)	(17,023)	(18,194)
Operating profit	2,189	2,346	2,561	2,864
EBITDA	2,189	2,346	2,561	2,864
<i>Growth (%)</i>	11.3	7.2	9.1	11.8
Depreciation	(48)	(58)	(89)	(91)
Other income	188	224	214	213
EBIT	2,329	2,512	2,686	2,986
Interest paid	(1,047)	(1,319)	(1,264)	(1,277)
Pre-tax profit (before non-recurring items)	1,282	1,194	1,422	1,710
Pre-tax profit (after non-recurring items)	1,282	1,194	1,422	1,710
Tax (current + deferred)	(355)	(290)	(398)	(479)
Net profit (before Minority Interest, Pref. Dividend, etc.)	927	904	1,024	1,231
Minority interest	0	(0)	–	–
Reported PAT	927	904	1,024	1,231
Adjusted net profit	927	904	1,024	1,231
<i>Growth (%)</i>	(17.6)	(2.5)	13.2	20.3

Balance Sheet

Yr end 31 Mar (Rs mn)	FY11	FY12P	FY13E	FY14E
Cash and Marketable sec.	1,946	2,280	1,721	1,698
Other current assets	42,553	50,668	49,696	50,580
Investments	105	106	106	106
Net fixed assets	934	1,050	1,047	1,058
Other non-current assets	68	36	36	36
Total assets	45,606	54,139	52,607	53,479
Current liabilities	13,303	23,037	20,988	20,377
Total Debt	15,523	13,396	12,888	13,141
Total liabilities	28,826	36,433	33,876	33,518
Share capital	1,736	1,736	1,736	1,736
Reserves & surplus	15,042	15,969	16,992	18,223
Shareholders' funds	16,778	17,705	18,728	19,959
Minorities interests	2	2	2	2
Total equity & liabilities	45,606	54,139	52,607	53,479
Capital Employed	32,303	31,102	31,619	33,102

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY11	FY12P	FY13E	FY14E
Pre-tax profit	1,282	1,194	1,422	1,710
Depreciation	18	58	89	91
Chg in working capital	1,962	1,620	(1,078)	(1,495)
Total tax paid	(310)	(258)	(398)	(479)
Other operating activities	859	1,095	1,050	1,063
Cash flow from oper. (a)	3,811	3,709	1,085	890
Capital expenditure	(181)	(174)	(86)	(102)
Chg in investments	1	(1)	–	–
Chg in marketable securities	188	224	214	213
Cash flow from inv. (b)	7	49	128	112
Debt raised/(repaid)	(2,614)	(2,128)	(507)	252
Other financing activities	(1,015)	(1,296)	(1,264)	(1,277)
Cash flow from fin. (c)	(3,629)	(3,424)	(1,771)	(1,025)
Net chg in cash (a+b+c)	189	334	(559)	(23)

Key Ratios

Yr end 31 Mar (%)	FY11	FY12P	FY13E	FY14E
Adjusted EPS (Rs)	5.3	5.2	5.9	7.1
Growth	(17.6)	(2.5)	13.2	20.3
Book NAV/share (Rs)	96.7	102.0	107.9	115.0
Tax	27.7	24.3	28.0	28.0
EBITDA margin	14.3	12.7	13.1	13.6
EBIT margin	15.3	13.6	13.7	14.2
RoCE	7.0	7.9	8.6	9.2
Net debt/Equity	80.9	62.8	59.6	57.3

Valuations

Yr end 31 Mar (x)	FY11	FY12P	FY13E	FY14E
PER	29.3	30.1	26.5	22.1
PCE	27.9	28.2	24.4	20.5
Price/Book	1.6	1.5	1.5	1.4
EV/Net sales	2.7	2.1	2.0	1.8
EV/EBITDA	18.6	16.3	15.0	13.5

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY11	FY12P	FY13E	FY14E
Net margin (%)	6.1	4.9	5.2	5.8
Asset turnover	0.3	0.4	0.4	0.4
Leverage factor	2.7	2.9	2.9	2.7
Return on equity (%)	5.7	5.2	5.6	6.4

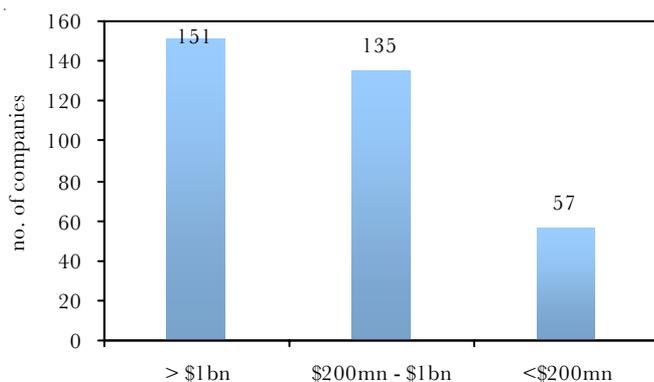
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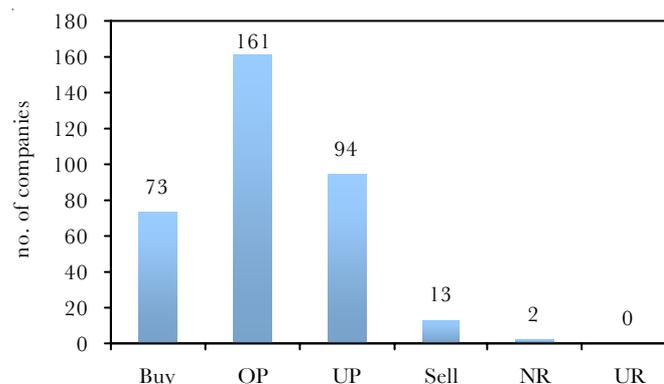
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B&K Universe Profile

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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