



INDEPENDENT EQUITY RESEARCH

Omaxe Ltd

Q1FY12 First Cut

Enhancing investment decisions

Explanation of CRISIL Fundamental and Valuation (CFV) matrix

The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade) The fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals) The valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP).

CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (- 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

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Omaxe Ltd

Q1FY12 first cut - Revenues in line but not margins

Fundamental Grade 2/5 (Moderate fundamentals)
Valuation Grade 4/5 (CMP has upside)

Industry Real Estate Management & Development

Omaxe Ltd's Q1FY12 revenues were broadly in line with CRISIL Research's expectations, registering a growth of 30% y-o-y. However, PAT was much below our expectations, down by 7.8% y-o-y. Higher carrying cost led to a y-o-y decline in EBITDA and PAT margins, leading to an overall fall in profitability. We may revisit our estimates post interaction with the management. We maintain the fundamental grade of **2/5**.

Q1FY12 result analysis

- Omaxe's Q1FY12 revenues grew by 30.0% y-o-y to Rs 3.3 bn, but declined q-o-q by 41.9% as the first half is relatively a lean period for real estate developers. In addition, adverse market conditions like rising borrowing cost also impacted the overall demand.
- EBITDA margin contracted by 175 bps y-o-y to 17.4% due to higher carrying cost. However, it grew by 13.4% on a sequential basis, which we believe could be because of higher proportion of higher-margin plot sales. We will get more clarity on this post conference call with the management.
- PAT margins contracted by 250 bps y-o-y to 6.1% mainly due to 44.3% rise in the interest cost to Rs 311 mn. EPS declined by 7.8% y-o-y to Rs 1.2.

Valuations: Current market price has upside

We continue to use 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 per share of Rs 146. Based on the current market price, this translates into a valuation grade of **4/5**.

KEY FORECAST

(Rs mn)	FY09	FY10	FY11#	FY12E	FY13E
Operating income	8,789	10,046	15,216	17,974	22,239
EBITDA	1,553	2,015	2,145	3,813	4,947
Adj PAT	444	902	927	1,994	2,775
Adj EPS-Rs	2.6	5.2	5.3	11.5	16.0
EPS growth (%)	(91.0)	103.4	2.8	115.0	39.2
Dividend yield (%)	-	-	-	-	-
RoCE (%)	4.2	5.7	6.3	11.5	13.8
RoE (%)	3.1	5.9	5.7	11.1	13.5
PE (x)	49.3	24.3	23.6	11.0	7.9
P/BV (x)	1.5	1.4	1.3	1.1	1.0
EV/EBITDA (x)	26.1	19.0	16.5	8.7	7.1

#FY11 numbers are based on abridged financials

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

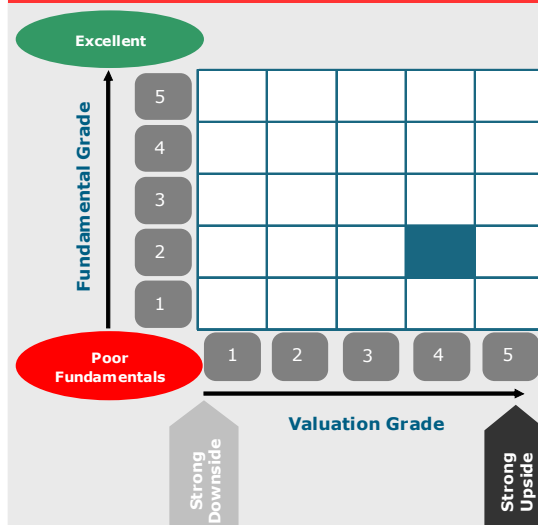


August 08, 2011

Fair Value Rs 146

CMP Rs 126

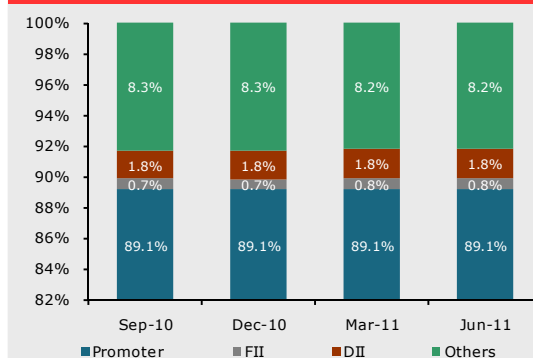
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5123/16990
NSE / BSE ticker	OMAXE
Face value (Rs per share)	10
Shares outstanding (mn)	174
Market cap (Rs mn)/(US\$ mn)	21,875/487
Enterprise value (Rs mn)/(US\$ mn)	38,215/850
52-week range (Rs) (H/L)	156/111
Beta	1.1
Free float (%)	10.9%
Avg daily volumes (30-days)	221,034
Avg daily value (30-days) (Rs mn)	31

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
OMAXE	-10%	-4%	-6%	8%
NIFTY	-10%	-8%	-4%	-6%

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Q1FY12 Result Summary

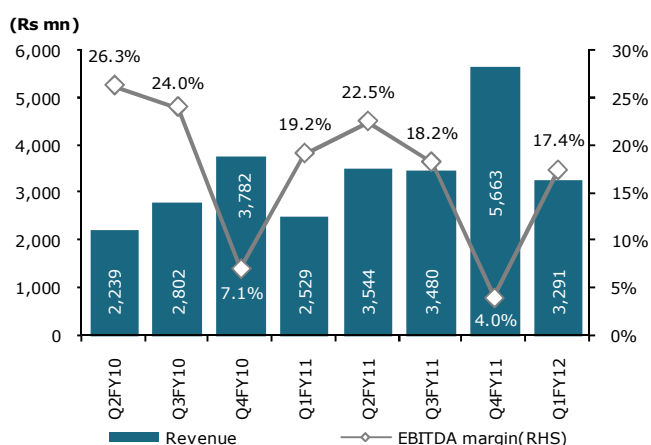
(Rs mn)	Q1FY12	Q4FY11	Q1FY11	q-o-q (%)	y-o-y (%)
Net sales	3,291	5,663	2,529	-42%	30%
Raw materials cost	2,465	5,095	1,847	-52%	33%
Raw materials cost (% of net sales)	74.9%	90.0%	73.0%	-1506bps	187bps
Employees cost	124	148	88	-16%	42%
Other expenses	129	192	110	-33%	17%
EBITDA	573	228	485	151%	18%
EBITDA margin	17.4%	4.0%	19.2%	1338bps	-175bps
Depreciation	12	13	10	-10%	13%
EBIT	561	215	474	161%	18%
Interest and finance charges	311	234	216	33%	44%
Operating PBT	249	(19)	258	-1395%	-3%
Other income	48	119	35	-60%	36%
Extraordinary income/(expense)	-	-	-	-	-
PBT	297	100	293	197%	1%
Tax	97	(17)	76	-687%	27%
PAT	200	117	217	72%	-8%
Adj PAT	200	117	217	72%	-8%
Adj PAT margin	6.1%	2.1%	8.6%	402bps	-250bps
No of equity shares (mn)	173.6	173.6	173.6	-	-
Adj EPS (Rs)	1.2	0.7	1.3	72%	-8%

Adverse market conditions affected revenue growth

High interest cost impacted margins

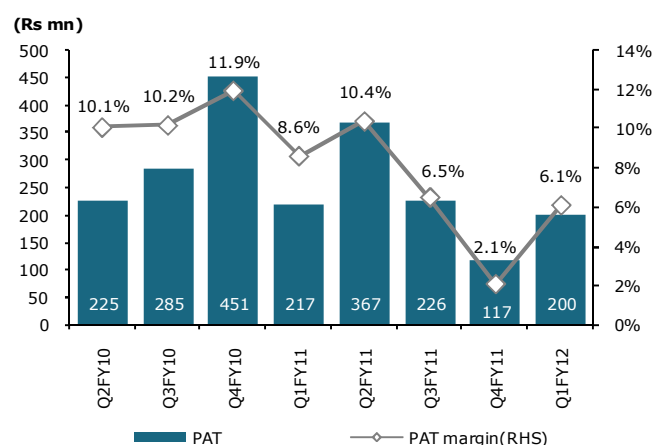
Source: Company, CRISIL Research

Revenue and EBITDA margins



Source: Company, CRISIL Research

PAT margins decline due to high interest cost



Source: Company, CRISIL Research

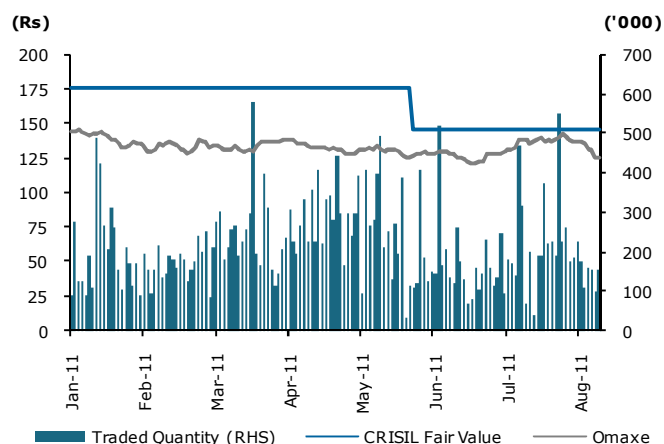
Share price movement



-indexed to 100

Source: NSE, CRISIL Research

Fair value movement since initiation



Source: NSE, BSE, CRISIL Research

FINANCIALS

Income statement

(Rs mn)	FY09	FY10	FY11#	FY12E	FY13E
Operating income	8,789	10,046	15,216	17,974	22,239
EBITDA	1,553	2,015	2,145	3,813	4,947
EBITDA margin	17.7%	20.1%	14.1%	21.2%	22.2%
Depreciation	64	61	48	81	109
EBIT	1,489	1,954	2,098	3,732	4,839
Interest	1,084	1,021	1,047	859	840
Operating PBT	405	933	1,050	2,873	3,998
Other income	97	101	231	105	137
Exceptional inc/(exp)	30	223	-	-	-
PBT	532	1,258	1,282	2,978	4,135
Tax provision	58	132	355	985	1,360
Minority interest	-	-	-	-	-
PAT (Reported)	474	1,125	927	1,994	2,775
Less: Exceptionals	30	223	-	-	-
Adjusted PAT	444	902	927	1,994	2,775

Ratios

	FY09	FY10	FY11#	FY12E	FY13E
Growth					
Operating income (%)	(61.6)	14.3	51.5	18.1	23.7
EBITDA (%)	(76.5)	29.7	6.5	77.7	29.7
Adj PAT (%)	(91.0)	103.4	2.8	115.0	39.2
Adj EPS (%)	(91.0)	103.4	2.8	115.0	39.2
Profitability					
EBITDA margin (%)	17.7	20.1	14.1	21.2	22.2
Adj PAT Margin (%)	5.0	9.0	6.1	11.1	12.5
RoE (%)	3.1	5.9	5.7	11.1	13.5
RoCE (%)	4.2	5.7	6.3	11.5	13.8
RoIC (%)	4.9	6.2	7.1	9.8	11.5
Valuations					
Price-earnings (x)	49.3	24.3	23.6	11.0	7.9
Price-book (x)	1.5	1.4	1.3	1.1	1.0
EV/EBITDA (x)	26.1	19.0	16.5	8.7	7.1
EV/Sales (x)	5.1	3.8	2.3	1.8	1.6
Dividend payout ratio (%)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
B/S ratios					
Inventory days	1,665	1,563	928	858	811
Creditors days	322	389	358	319	282
Debtor days	30	45	86	32	27
Working capital days	1,320	1,156	725	594	517
Gross asset turnover (x)	16.4	19.0	30.0	26.5	21.3
Net asset turnover (x)	26.0	35.4	41.0	39.2	40.4
Sales/operating assets (x)	26.0	35.3	40.9	39.2	40.5
Current ratio (x)	5.8	4.6	3.3	3.4	3.5
Debt-equity (x)	1.4	1.1	0.9	0.7	0.7
Net debt/equity (x)	1.3	1.0	0.8	0.6	0.6
Interest coverage	1.4	1.9	2.0	4.3	5.8

Per share

	FY09	FY10	FY11#	FY12E	FY13E
Adj EPS (Rs)	2.6	5.2	5.3	11.5	16.0
CEPS	2.9	5.5	5.6	12.0	16.6
Book value	85.2	91.2	96.7	110.2	126.2
Dividend (Rs)	-	-	-	-	-
Actual o/s shares (mn)	173.6	173.6	173.6	173.6	173.6

Balance Sheet

(Rs mn)	FY09	FY10	FY11#	FY12E	FY13E
Liabilities					
Equity share capital	1,736	1,736	1,736	1,736	1,736
Reserves	13,045	14,085	15,044	17,393	20,166
Minorities	-	-	-	-	-
Net worth	14,781	15,821	16,779	19,128	21,901
Convertible debt	-	-	-	-	-
Other debt	20,040	18,094	15,523	13,535	15,476
Total debt	20,040	18,094	15,523	13,535	15,476
Deferred tax liability (net)	(102)	(112)	(68)	(104)	(105)
Total liabilities	34,719	33,802	32,235	32,559	37,272
Assets					
Net fixed assets	276	291	451	467	635
Capital WIP	-	2	-	-	-
Total fixed assets	276	294	451	467	635
Investments	105	105	105	105	105
Current assets					
Inventory	30,869	32,143	33,221	33,294	38,432
Sundry debtors	656	1,244	3,586	1,590	1,622
Loans and advances	7,956	7,012	5,745	7,663	8,416
Cash & bank balance	1,403	1,757	1,946	2,264	2,244
Marketable securities	-	1	-	-	-
Total current assets	40,884	42,157	44,498	44,812	50,714
Total current liabilities	7,026	9,230	13,303	13,309	14,666
Net current assets	33,859	32,926	31,196	31,504	36,048
Intangibles/Misc. expenditure	478	477	484	484	484
Total assets	34,719	33,802	32,235	32,559	37,272

Cash flow

(Rs mn)	FY09	FY10	FY11#	FY12E	FY13E
Pre-tax profit	502	1,034	1,282	2,978	4,135
Total tax paid	(35)	(142)	(310)	(1,021)	(1,361)
Depreciation	64	61	48	81	109
Working capital changes	(1,325)	1,287	1,919	11	(4,565)
Net cash from operations	(794)	2,239	2,938	2,049	(1,682)
Cash from investments					
Capital expenditure	105	(77)	(211)	(97)	(277)
Investments and others	904	(0)	1	(0)	-
Net cash from investments	1,009	(77)	(210)	(98)	(277)
Cash from financing					
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	(2,268)	(1,946)	(2,571)	(1,989)	1,941
Dividend (incl. tax)	-	-	-	-	-
Others (incl extraordinary)	190	138	32	355	(2)
Net cash from financing	(2,078)	(1,808)	(2,539)	(1,633)	1,939
Change in cash position	(1,863)	354	189	319	(20)
Closing cash	1,403	1,757	1,946	2,264	2,244

Quarterly financials

(Rs mn)	Q1FY11	Q2FY11	Q3FY11	Q4FY11	Q1FY12
Net Sales	2,529	3,544	3,480	5,663	3,291
Change (q-o-q)	-33%	40%	-2%	63%	-42%
EBITDA	485	798	635	228	573
Change (q-o-q)	81%	65%	-20%	-64%	151%
EBITDA margin	19.2%	22.5%	18.2%	4.0%	17.4%
PAT	217	367	226	117	200
Adj PAT	217	367	226	117	200
Change (q-o-q)	-52%	69%	-39%	-48%	72%
Adj PAT margin	8.6%	10.4%	6.5%	2.1%	6.1%
Adj EPS	1.3	2.1	1.3	0.7	1.2

Note: All ratios are computed on Adj PAT

#FY11 numbers are based on abridged financials

Source: Company, CRISIL Research estimate

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