



6th October 2010

Oberoi Realty Limited

Recommendation: **Subscribe**



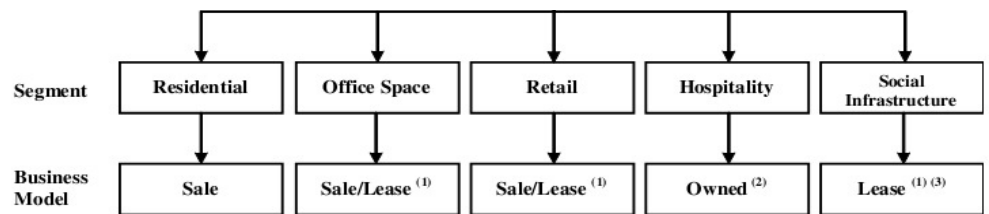
Issue Summary		
Price Band (Rs)	253	260
Bid Lot	20 shares	
Face Value	Rs.10	
Opens on	6 th Oct'10	
Closes on	8 th Oct'10	
Total no of shares to be raised	395.62 lacs	

Pre-issue share capital	Rs. 288.67 crs	
Post-issue share capital	Rs 328.23 crs	
Issue Size	Rs	Rs
	1000.9 crores	1028.6 crores
Post Issue Market Cap	8304.2	8553.9
P/E on 3M Annualized FY11	26.02	26.74

Net Issue	No. of Shares	%
QIB's	237.3 lacs	60%
Non Institutional	39.56 lacs	10%
Retail	118.7 lacs	30%
Employees	n.a	n.a
Total	395.62 lacs	100%

Company & Business Profile

Oberoi Realty is a real estate developer operating in Mumbai, focused on Premium (upper end) developments. The company currently has 8 ongoing and 19 Planned projects, both covering a combined area of about 21.3 million square feet. As on 30th September 2009, the company had completed 9 projects covering an area of 1.81 million square feet. The Promoter Group headed by Mr Vikas Oberoi has been in the business of real estate for more than 2 decades and command a strong brand name as a business household. The following table shows the company's business



Objects of the Issue

Particulars	Amount proposed (Rs in cr)
Construction of Ongoing Projects and Planned Projects	Rs 777 crores
Acquisition of Land and Land Development Rights	Rs 225 crores
General Corporate Purposes	n.a

BREAK UP OF ONGOING AND PLANNED PROJECTS

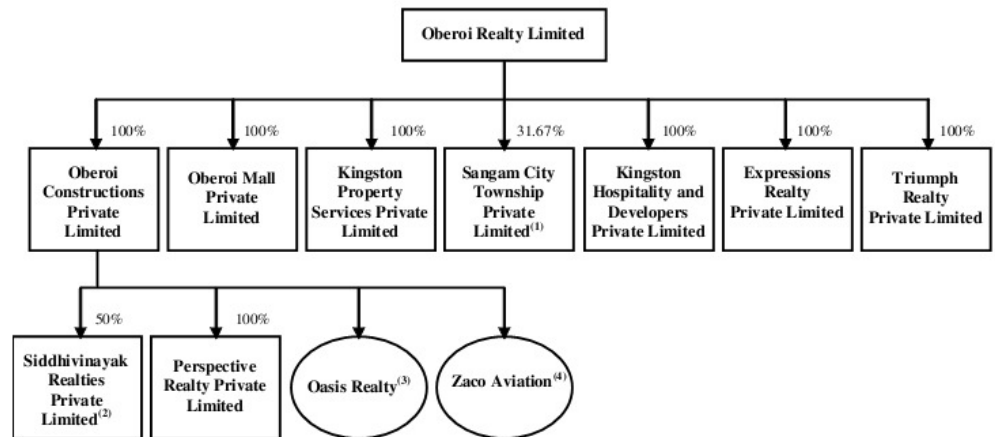
Status	Ongoing			Planned		
	Estimated Saleable Area (in million sq feet)	No. of Projects	% of total	Estimated Saleable Area (in million sq feet)	No. of Projects	% of total
Residential	3.335	4	52.03%	9.682	7	64.96%
Office Space	2.387	2	37.25%	1.645	5	11.04%
Retail	0	-	0.00%	0.400	2	2.69%
Hospitality	0.381	1	5.96%	1.505	2	10.10%
Social Infrastructure	0	0	0	0	0	0
Total	6.409	8	100.00%	14.906	19	100.00%

Book Running Lead

Managers:

- ENAM, KOTAK, JP MORGAN, MORGAN STANLEY

Corporate structure of Oberoi Realty Limited



Most of Oberoi Realty's projects are focused around Mumbai, and are high end properties

Entity / Joint Venture	Development Site / Location
Oberoi Realty Limited	Oberoi Garden City, Goregaon, Mumbai (except Oberoi Mall)
Oberoi Mall Private Limited	Oberoi Mall, Oberoi Garden City, Goregaon, Mumbai
Oberoi Constructions Private Limited	Plazo (Ghuman Villa), Juhu, Mumbai (1)
	Oberoi Crest, Khar, Mumbai (1)
	Oberoi Enclave, Juhu, Mumbai (1)
	Oberoi Chambers, Andheri - West, Mumbai (1)
	Oberoi Splendor, Andheri - East, Mumbai
	Oberoi Springs, Andheri - West, Mumbai
Oberoi Exotica, Mulund - West, Mumbai	
Oasis Realty	Oasis Realty, Worli, Mumbai
Siddhivinayak Realities Private Limited	Juhu Hotel, Juhu, Mumbai
Sangam City Township Private Limited	Sangam City, Sangamwadi, Pune

Investment Positives:

- **Strong Presence in Mumbai:** Most of their completed, ongoing and planned projects are located in Mumbai, which is still considered to be a high growing real estate market in terms of returns on investment and demand. The focus ahead will continue in Mumbai across all their projects in various sectors.
- **Established Brand and Reputation:** The promoter group has been in this field since in 1983, and has a strong brand reputation. Its strong upcoming project pipeline is expected to provide strong cash flows. Cash flows are diversified through outright sale of property and lease rentals.
- **The company has no long term loans, it is debt free:** This is a huge positive in comparison to some other real estate companies which continue to suffer from excess leverage and high interest outgo.

Concerns:

- **Lack of Geographical diversification:** Even though the progress of the Mumbai real estate market has been phenomenal, and is likely to continue in such fashion, the business model is highly dependent on the prevailing conditions in Mumbai.

- **Other Uncertainties:** Expansion into new areas like social infrastructure and hospitality, dependence on third parties such as contractors and service providers, some of their group companies delivering losses in the past few years, outstanding legal proceedings, macro interest rate scenario collectively account for some of the uncertainties which the company faces.

PROFIT AND LOSS ACCOUNT (CONSOLIDATED)

(In Rs Crores)	FY 2008	FY 2009	FY 2010	June FY11
Total Income from Operations	558.6	454.9	805.5	165.8
Total Expenditure	253.7	178.0	316.4	75.4
EBIDTA	304.9	276.9	489.1	90.4
Depreciation	1.9	7.3	9.1	4.5
Interest	0.0	0.4	0.03	0.1
PBT	302.9	269.2	479.96	85.83
PAT (adjusted)	295.2	252.3	457.6	79.8
Post Issue Shares outstanding (in crore)	32.97	32.97	32.97	32.97
Post Issue EPS (in Rs)	8.95	7.65	13.88	2.42

Valuation and Recommendation:

Based on 4x Q1FY11 EPS of 2.42, the stock is priced at a P/E between 26.1 and 26.9 (based on price band of 253 and 260). Taking FY10 EPS of 13.88, the stock is priced at a P/E range of 18.2 and 18.7. Other companies like DLF and Unitech are presently trading at P/E's of 38 and 31.7, based on consolidate TTM EPS. We believe that Oberoi Realty has favourable factors which justify a P/E valuation of > 25 (based on 4x Q1FY11 EPS). A strong brand presence, diversified cash flow streams and zero leverage collectively justify the present valuations. We recommend a "SUBSCRIBE" for the Oberoi Realty.

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