

Construction

Supreme Infrastructure India Ltd

Buy

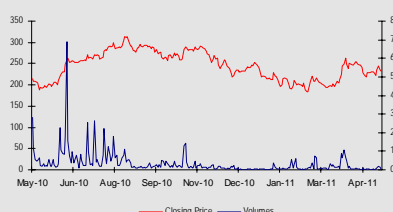
CMP Rs 232

Target Price Rs 334

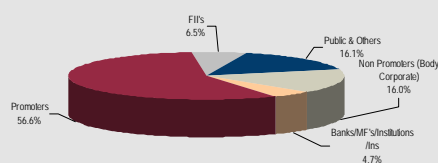
Key Data

Face Value	Rs 10
Market Cap (Rs in mn)	3883.7
Total O/s Shares in (in mn)	16.74
Free Float	43.4%
52 Week High / Low	320/178
Avg. Monthly Volume (BSE)	5361
Avg. Monthly Volume (NSE)	8357
BSE Code	532904
NSE Code	SUPREMEINF
Bloomberg Code	SPII IN
Beta	1.3
Date of Incorporation	April 1983
Last Dividend Declared	15%
Six month return	-8.4%
Indices	BSE B
FCCB's outstanding	N.A.
Warrants outstanding	N.A.

One Year Price Chart



Source: Capitaline

Share Holding Pattern (31st Mar' 2011)

Source: Company, KJMC Research

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Supreme Infrastructure India Ltd (SIIL) reported better than expected Q4FY11 results. The company reported excellent 90.7% yoy growth in net revenue and 148.4% growth in PAT. The EBITDA margin for Q4FY11 was lesser than first three quarters of FY11 and stood at 15.4% on higher other expenses. The company has added Rs 4 bn of new orders in Q4FY11 resulting into total order book at Rs 31.2 bn. This includes Rs 7.13 bn of L1 orders. The company has acquired 51% in Rudranee Infrastructure Ltd (RIL) for Rs 180 mn, which is a strategic investment.

Key Highlights

Solid Q4FY11 performance: In Q4FY11, revenue grew by 90.7% yoy to Rs 3.27 bn which was above our expectation. The growth in revenue was driven by faster execution in some of the projects like Chitradurga bypass project, Jaipur Flyover project and Kasheli Bridge where execution deadline was due. In addition faster bill cycle in power distribution projects also supported revenue growth. In FY11 the company reported Rs 9.18 bn of revenue with 72.1% yoy growth, which was ahead of management guidance. The EBITDA margin for the quarter stood at 15.4% which is better than last year but lower than previous three quarters of FY11. The adjusted PAT for the quarter grew by 148% on yoy to Rs 273.7 mn. For the full year FY11, the standalone PAT grew by 80.5% to Rs 7.48 bn.

Order Book remained robust at Rs 31.2 bn: In the quarter SIIL added Rs 4 bn of new orders resulting total order book at Rs 31.2 bn. This includes Rs 7.13 bn of L1 orders. The order book includes 34% of the orders from its own BOT road projects and 47.6% of buildings. The company targets to achieve Rs 40 bn of order book by the end of FY12E.

Rs 1.2 bn of equity infusion in BOT project in FY12: SIIL needs Rs 3.45 bn of equity infusion in its three BOT road projects in FY12. It has already infused Rs 570 mn in Manor Wada Project. In FY12 equity commitment would be Rs 1200-1300 mn and balance would be in FY13. Financial closure of Panvel Indapur is in progress. But the execution of the project may get little delayed as a bird sanctuary is coming in the stretch for which MOEF clearance is yet to be obtained. Further, LOI for Ahmednagar Karmala Tembhorni BOT project is yet to be signed.

Financial Snapshot (Standalone)

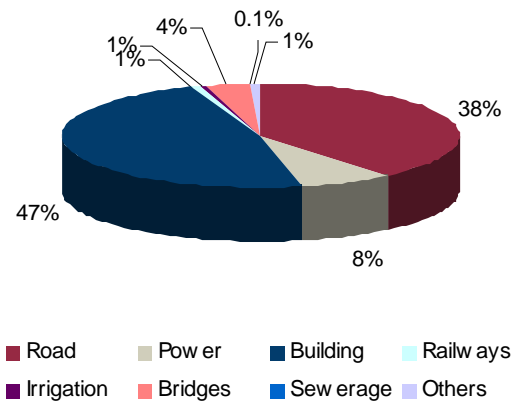
(Rs in mn)

Particulars	FY09	FY10	FY11	FY12E	FY13E
Net Revenue	3,822	5,333	9,179	11,736	13,679
EBITDA	651	947	1,557	1,967	2,293
EBITDA Margin %	17.0	17.8	17.0	16.8	16.8
PAT	270	392	707	757	864
PAT Margin %	7.1	7.4	8.1	6.5	6.3
EPS	19.5	28.3	42.3	45.2	51.6
P/E	11.9	8.2	5.5	5.1	4.5
EV/EBITDA	7.8	6.4	5.1	4.7	4.4

Source: Company, KJMC Research

Acquired 51% in Rudranee Infrastructure Ltd: During Q4FY11, SIIL acquired 51% in Maharashtra based Rudranee Infrastructure Ltd (RIL) for Rs 180 mn. This would be the additional equity infusion in the company. RIL is into construction of roads, water pipeline, power distribution, etc. The company has revenue of Rs 1.25 bn with EBITDA and PAT of margin of 14% and 6.5% respectively. It has an order backlog of Rs 3.6 bn. RIL has Rs 670 mn of working capital in its books with negligible long term debt.

Breakup of FY11 year end order book



Source: Company

Q4FY11 Results Table

(Rs Mn)

Particulars	Q4FY11	Q4FY10	YoY Growth%	FY11	FY10	YoY Growth%
Net Sales	3276.4	1718.3	90.7	9179.1	5332.6	72.1
Expenditure	2772.9	1465.4	89.2	7622.2	4385.5	73.8
Construction expenses	2571.9	1367.3	88.1	7059.4	4102.7	72.1
Employee Cost	69.1	40.9	68.8	270.8	142.0	90.8
Other Expenditure	131.9	57.1	130.9	291.9	140.9	107.3
EBITDA	503.5	252.9	99.1	1556.9	947.0	64.4
EBITDAM%	15.4	14.7	65.0	17.0	17.8	-79.8
Other Income	3.2	24.5	-86.8	8.0	34.8	-77.1
PBIDT	506.8	277.4	82.7	1564.9	981.9	59.4
Depreciation	80.9	53.6	50.9	236.9	202.1	17.2
Interest	133.5	61.1	118.5	403.8	220.2	83.4
PBT	292.4	162.7	79.7	924.2	559.5	65.2
Tax	18.6	52.5	-64.5	216.8	167.5	29.4
Adjusted PAT	273.7	110.2	148.4	707.4	392.0	80.5
Adjusted PATM%	8.4	6.4	194.0	7.7	7.4	35.6
Extraordinary Items/ Exceptional items	0.0	0.0	-	40.7	0.0	-
PAT (after Extra-ordinary/ Exceptional items)	273.7	110.2	148.4	748.1	392.0	90.8
PATM%	8.4	6.4	194.0	8.2	7.4	10.9
Equity Capital	167.4	138.8	20.7	167.4	138.8	20.7
EPS	16.3	7.9	105.8	44.7	28.3	58.2

Source: Company, KJMC Research

Outlook & Valuation

We believe that maintaining very high growth in revenue and earnings would be a big challenge for SIIL considering 1) the high base of FY11, 2) delay in execution of new road projects on procedural issues and 3) rise in interest rates impacting realty and infra spending. We expect 21.4% revenue CAGR and 7.5% in PAT CAGR in FY11-13E.

We have upgraded our revenue and EPS estimates for FY12E by 11.1% and 6.7% respectively by factoring in strong order inflows in the few past quarters. We marginally downgrade EBITDA margin estimates for FY12 and FY13 by 20 bps considering change in order mix and high material price. Based on FY11E and FY12E EPS of Rs 45.2 and Rs 51.6, the stock is trading at P/E of 5.1x and 4.5x respectively. We maintain our BUY recommendation and target price of Rs 334.

Financial Summary (Standalone)

Profit & Loss Statement						Balance Sheet					
Y/E, Mar (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E	Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E	FY13E
Net Revenue	3,822	5,333	9,179	11,736	13,679	Equity Share Capital	139	139	167	167	167
Growth %	145	40	72	28	17	Reserves	1,016	1,384	2,389	3,117	3,952
Total Expenses	3,172	4,386	7,622	9,769	11,386	Networth	1,155	1,523	2,557	3,285	4,120
Growth %	162	38	74	28	17	Secured Loans	1,752	2,852	4,289	5,589	6,689
EBITDA	651	947	1,557	1,967	2,293	Unsecured Loans	242	152	152	152	152
Growth %	84	45	64	26	17	Loan Funds	1,994	3,004	4,441	5,741	6,841
EBITDAM %	17.0	17.8	17.0	16.8	16.8	Total Liabilities	3,149	4,557	6,997	9,025	10,960
Other Income	12	35	8	8	8	Gross Block	2,125	2,515	3,301	3,701	4,101
Interest	171	220	404	629	777	Less: Accumulated Depreciation	255	455	692	957	1,246
Depreciation	131	202	237	264	289	Net Block	1,870	2,060	2,609	2,744	2,855
PBT	361	560	924	1,082	1,235	CWIP	166	386	0	0	0
Tax	91	168	217	325	370	Investments	21	123	916	2,116	3,116
Reported PAT	270	392	748	757	864	Current Assets	1,754	3,423	5,197	6,337	7,498
Growth %	40.7	45.2	90.8	1.3	14.1	Inventories	256	240	700	951	1,421
Net Margin%	7.1	7.4	8.1	6.5	6.3	Debtors	933	1,846	2,643	3,058	3,564
						Cash & Bank	103	155	186	197	281
						Loans & Advances	462	1,183	1,667	2,131	2,233
						Current Liabilities & Prov	634	1,385	1,675	2,122	2,459
						Net Current Assets	1,120	2,038	3,522	4,215	5,039
						Net Deferred Tax	-27	-50	-50	-50	-50
						Total Assets	3,149	4,557	6,997	9,025	10,960

Cash Flow Statement						Ratios					
Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E	FY13E	Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E	FY13E
Pre-Tax Profit	361	560	965	1,082	1,235	Profitability/Returns %					
Depreciation & Non Cash	149	202	237	264	289	EBITDA Mgn	17.0	17.8	17.0	16.8	16.8
Interest & others	129	165	404	629	777	PAT Mgn	7.1	7.4	7.7	6.5	6.3
Chg in Working Cap	-741	-1,101	-1,452	-682	-740	ROCE	21.3	19.3	22.8	21.3	20.0
Tax Paid	-68	-112	-217	-325	-370	ROE	25.8	29.3	34.7	25.9	23.3
Operating Cash Flows	-170	-286	-63	968	1,190	Per Share Data (Rs/share)					
Capex	-1,048	-678	-400	-400	-400	EPS	19.5	28.3	42.3	45.2	51.6
Free Cash Flows	-1,218	-964	-463	568	790	CEPS	23.9	35.5	56.4	61.0	68.9
Investments	4	-93	-793	-1,200	-1,000	BVPS	69.0	91.0	152.7	196.2	246.1
Equity Capital	0	30	285	0	0	DVPS	1.2	1.5	1.5	1.5	1.5
Loans	1,367	1,291	1,437	1,300	1,100	Valuations (X)					
Dividend	-133	-192	-29	-29	-29	PER	11.9	8.2	5.5	5.1	4.5
Interest & Others	-24	-20	-404	-629	-777	CPER	9.7	6.5	4.1	3.8	3.4
Net Change in Cash	-4	52	32	10	84	P/BV	3.4	2.6	1.5	1.2	0.9
Opening Cash Position	107	103	155	186	197	EV/Sales	1.3	1.1	0.9	0.8	0.7
Closing Cash Position	103	155	186	197	281	EV/EBITDA	7.8	6.4	5.1	4.7	4.4
						Dividend Yield %	0.5	0.6	0.6	0.6	0.6
						Turnover (X Days)					
						Debtor Days	65.6	95.1	105.1	95.1	95.1
						Inventory Days	25.8	20.6	22.5	30.9	38.0
						Current Liability Days	56.0	78.6	69.1	67.7	70.7
						Net Working Cap Days	82.6	108.1	110.6	120.3	123.5
						Gearing Ratio (X)					
						Net Debt/Equity	1.6	1.8	1.4	1.2	0.9
						Total Debt/Equity	1.7	1.9	1.7	1.7	1.7

Source: Company, KJMC Research

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Recommendation Parameters

Expected returns in absolute terms over a one-year period

Buy	- appreciate more than 20% over a 12- month period
Accumulate	- appreciate 10% to 20% over a 12- month period
Hold / Neutral	- appreciate up to 10% over a 12- month period
Reduce	- depreciate up to 10% over a 12- month period
Sell	- depreciate more than 10% over a 12- month period

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Data Sources : Capitalline, Companies, Bloomberg, Various Websites & publication available on Public domain.

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