

June 1, 2010

Rating	Accumulate
Price	Rs212
Target Price	Rs245
Implied Upside	15.7%
Sensex	16,945

(Prices as on May 31, 2010)

### Trading Data

Market Cap. (Rs bn)	37.9
Shares o/s (m)	179.2
Free Float	40.21%
3M Avg. Daily Vol ('000)	605.1
3M Avg. Daily Value (Rs m)	133.5

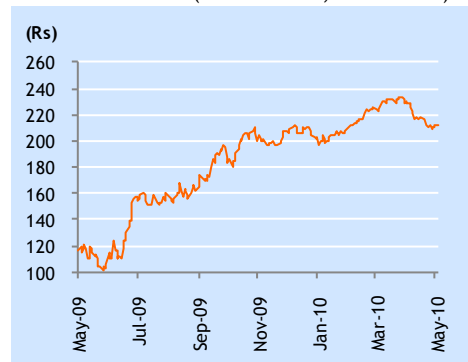
### Major Shareholders

Promoters	59.79%
Foreign	3.04%
Domestic Inst.	7.78%
Public & Others	29.39%

### Stock Performance

(%)	1M	6M	12M
Absolute	(8.1)	4.7	77.7
Relative	(3.0)	7.8	65.4

### Price Performance (RIC: ERCI.BO, BB: ERIE IN)



Source: Bloomberg

■ **Revenues & PAT in line with expectations:** Era Infra Engineering (EIE) has clocked a top-line of Rs34bn for FY10, registering a robust growth of 43.7% YoY. EBITDA margins have also improved by 170bps YoY. However, the interest cost has substantially increased by 48% YoY to Rs2.5bn on account of an increase in the debt levels. PAT adjusted to one-time adjustment relating to reversal of forex loss on FCCB included in other income in Q4FY09 grew by 65% YoY at Rs2.3bn.

■ **Order book:** The current order book stands close to Rs103bn (Q3FY10 order book at Rs80bn). Of the total order book, Power constitutes 23%, Roads 46%, Social Infra and Industrial constitute 10% each and balance is in railways and Airports.

■ **Updates:** EIE would be incurring a capex of Rs2.5bn for the equipment division in FY11 and equity requirement for BOTs would be close to Rs1.5bn.

■ **Valuations:** EIE has posted a steady growth despite a slowdown in the construction sector and we expect it to continue on account of its robust clientele. We have kept our estimates unchanged. At CMP of Rs212, the stock discounts FY11E earnings by 11.2x and FY12E earnings by 9.8x (10.2x and 9x core earnings respectively). We maintain 'Accumulate' on the stock.

Key financials (Y/e March)	FY09	FY10	FY11E	FY12E
Revenues (Rs m)	23,498	34,155	46,000	59,804
Growth (%)	62.1	45.4	34.7	30.0
EBITDA (Rs m)	4,089	6,661	8,312	10,169
PAT (Rs m)	1,403	2,311	3,676	4,187
EPS (Rs)	12.3	14.5	19.0	21.6
Growth (%)	17.7	18.4	30.3	13.8
Net DPS (Rs)	0.4	0.6	0.9	1.1

Source: Company Data; PL Research

Profitability & valuation	FY09	FY10E	FY11E	FY12E
EBITDA margin (%)	17.4	19.5	18.1	17.0
RoE (%)	20.1	17.2	18.3	17.2
RoCE (%)	13.5	13.3	13.2	19.1
EV / sales (x)	2.0	1.7	1.3	1.1
EV / EBITDA (x)	11.4	8.9	7.4	6.7
PE (x)	17.3	14.6	11.2	9.8
P / BV (x)	3.5	2.5	2.0	1.7
Net dividend yield (%)	0.2	0.3	0.4	0.5

Source: Company Data; PL Research

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## Q4FY10 Result Overview

(Rs m)

Y/e March	Q4FY10	Q4FY09	YoY gr. (%)	Q3FY10	FY10	FY09	YoY gr. (%)
<b>Net Sales</b>	<b>9,809</b>	<b>9,526</b>	<b>3.0</b>	<b>8,912</b>	<b>34,155</b>	<b>23,769</b>	<b>43.7</b>
<b>Expenditure</b>							
Direct Expenses	7,450	7,992	(6.8)	6,956	26,223	18,634	40.7
<i>% of Net Sales</i>	<i>76.0</i>	<i>83.9</i>		<i>78.1</i>	<i>76.8</i>	<i>78.4</i>	
Personnel Cost	311	182	71.0	269	1,004	666	50.7
<i>% of Net Sales</i>	<i>3.2</i>	<i>1.9</i>		<i>3.0</i>	<i>2.9</i>	<i>2.8</i>	
Other Expenditure	94	22	336.6	120	403	333	21.1
<i>% of Net Sales</i>	<i>1.0</i>	<i>0.2</i>		<i>1.3</i>	<i>1.2</i>	<i>1.4</i>	
Total Expenditure	7,855	8,195	(4.1)	7,344	27,630	19,633	40.7
<b>EBIDTA</b>	<b>1,954</b>	<b>1,331</b>	<b>46.8</b>	<b>1,568</b>	<b>6,525</b>	<b>4,136</b>	<b>57.8</b>
<i>Margin (%)</i>	<i>19.9</i>	<i>14.0</i>	<i>594.6</i>	<i>17.6</i>	<i>19.1</i>	<i>17.4</i>	
Depreciation	203	188	7.8	185	715	460	55.6
<b>EBIT</b>	<b>1,751</b>	<b>1,143</b>	<b>53.2</b>	<b>1,382</b>	<b>5,810</b>	<b>3,676</b>	<b>58.0</b>
Interest	736	476	54.7	676	2,564	1,728	48.4
Other Income	62	643	(90.4)	50	250	623	(59.8)
<b>PBT</b>	<b>1,077</b>	<b>1,310</b>	<b>(17.8)</b>	<b>756</b>	<b>3,496</b>	<b>2,571</b>	<b>36.0</b>
Tax	455	234	94.6	184	1,185	545	117.4
<i>Tax Rate (%)</i>	<i>42.3</i>	<i>17.8</i>		<i>24.3</i>	<i>33.9</i>	<i>21.2</i>	
<b>Recurring PAT</b>	<b>622</b>	<b>1,076</b>	<b>(42.2)</b>	<b>572</b>	<b>2,311</b>	<b>2,026</b>	<b>14.1</b>
<b>Adjusted PAT</b>	<b>622</b>	<b>447</b>	<b>39.1</b>	<b>572</b>	<b>2311</b>	<b>1403</b>	<b>64.8</b>



Segmental breakup

(Rs m)

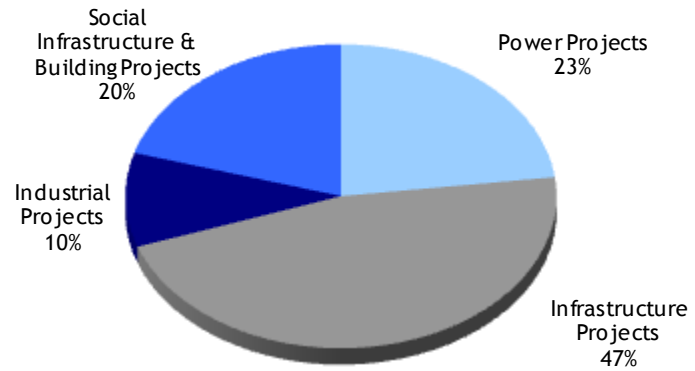
Y/e March	Q4FY10	Q4FY09	YoY gr. (%)	FY10	FY09	YoY gr. (%)
<b>Revenues</b>						
Contracts	8,899	7,335	21.3	29,121	19,962	45.9
<i>% in Total</i>	<i>90.7</i>	<i>77.0</i>		<i>85.3</i>	<i>84.2</i>	
Energy	8	9	(9.3)	57	56	0.9
<i>% in Total</i>	<i>0.1</i>	<i>0.1</i>		<i>0.2</i>	<i>0.2</i>	
Equipment Hiring	452	234	93.0	1,629	1,024	59.1
<i>% in Total</i>	<i>4.6</i>	<i>2.5</i>		<i>4.8</i>	<i>4.3</i>	
RMC	153	157	(2.8)	611	509	20.0
<i>% in Total</i>	<i>1.5</i>	<i>1.6</i>		<i>1.7</i>	<i>2.1</i>	
Trading	516	1,993		3,609	3,024	19.4
<i>% in Total</i>	<i>5.2</i>	<i>20.5</i>		<i>10.3</i>	<i>12.3</i>	
<b>Total</b>	<b>10,027</b>	<b>9,728</b>	<b>3.1</b>	<b>35,027</b>	<b>24,575</b>	<b>42.5</b>
Less: Inter-segment revenue	218	203	7.6	872	873	(0.1)
<b>Net sales</b>	<b>9,809</b>	<b>9,526</b>	<b>3.0</b>	<b>34,155</b>	<b>23,702</b>	<b>44.1</b>
<b>EBIT</b>						
Contracts	1,295	954	35.8	4,184	2,835	47.6
<i>Margin (%)</i>	<i>14.6</i>	<i>13.0</i>		<i>14.4</i>	<i>14.2</i>	
Energy	(8)	1	(657.1)	17	29	(40.2)
<i>Margin (%)</i>	<i>(100.0)</i>	<i>16.3</i>		<i>30.6</i>	<i>51.7</i>	
Equipment Hiring	336	137	144.7	1,189	740	60.7
<i>Margin (%)</i>	<i>74.3</i>	<i>58.6</i>		<i>73.0</i>	<i>72.3</i>	
RMC	0	(5)	(105.9)	4	(26)	(114.8)
<i>Margin (%)</i>	<i>0.2</i>	<i>(3.1)</i>		<i>0.6</i>	<i>(5.2)</i>	
Trading	14	44	-	98	73	-
<i>Margin (%)</i>	<i>2.7</i>	<i>-</i>		<i>2.7</i>	<i>2</i>	
<b>Total</b>	<b>1,637</b>	<b>1,131</b>	<b>44.7</b>	<b>5,493</b>	<b>3,650</b>	<b>50.5</b>
<i>Margin (%)</i>	<i>16.7</i>	<i>11.9</i>	<i>481.5</i>	<i>16.1</i>	<i>15.4</i>	<i>68.1</i>
Less: Interest	560	(179)	(413.1)	1,997	1,080	84.9
<b>PBT</b>	<b>1,077</b>	<b>1,310</b>	<b>(17.8)</b>	<b>3,496</b>	<b>2,571</b>	<b>36.0</b>
<i>Margin (%)</i>	<i>11.0</i>	<i>13.8</i>		<i>10.2</i>	<i>10.8</i>	



## Highlights

### Order book break-up

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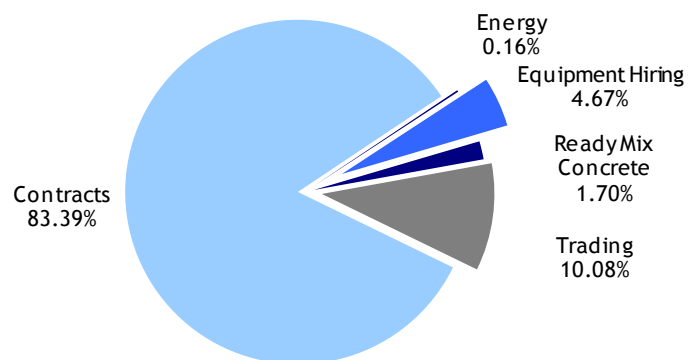
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Source: Company Data, PL Research

### FY10 revenue break-up

#### Revenue book break-up

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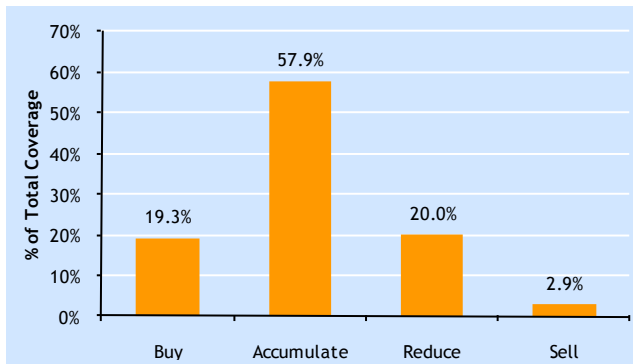
Source: Company Data, PL Research

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#### Rating Distribution of Research Coverage



#### PL's Recommendation Nomenclature

<b>BUY</b>	: Over 15% Outperformance to Sensex over 12-months	<b>Accumulate</b>	: Outperformance to Sensex over 12-months
<b>Reduce</b>	: Underperformance to Sensex over 12-months	<b>Sell</b>	: Over 15% underperformance to Sensex over 12-months
<b>Trading Buy</b>	: Over 10% absolute upside in 1-month	<b>Trading Sell</b>	: Over 10% absolute decline in 1-month
<b>Not Rated (NR)</b>	: No specific call on the stock	<b>Under Review (UR)</b>	: Rating likely to change shortly

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