

August 30, 2011

BUY

MEDIUM RISK

PRICE Rs.226

TARGET Rs.310

## INFRASTRUCTURE

### EARLIER RECO

<b>BUY</b>	
Price	Rs. 244
Target	Rs. 310
Date	03 <sup>rd</sup> June, 2011

### SHARE HOLDING (%)

Promoters	56.6
FII	6.6
FI	5.0
Body Corporates	16.0
Public & Others	15.8

### STOCK DATA

Reuters Code	SIIL.BO	
Bloomberg Code	SPII IN	
BSE Code	532904	
NSE Symbol	SUPREMEINF	
Market Capitalization*	Rs. 3785.0 mn US\$ 83.2 mn	
Shares Outstanding*	16.7 mn	
52 Weeks (H/L)	Rs.303 / 178	
Avg. Daily Volume (6m)	18,150 Shares	
Price Performance (%)		
1M	3M	6M
(22)	(5)	64
200 Days EMA: Rs.238		

\*On fully diluted equity shares

Part of  Classic



### ANALYST

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Supreme Infrastructure India Ltd. (SIIL) has reported excellent set of numbers for the quarter ended June'11 which were above our expectations. Revenues grew by ~79% YoY to Rs.3300 mn whereas PAT witnessed a growth of ~64% YoY to Rs.256 million. We had the conference call with the management of the company and following are the key highlights of the results which are summarized below:

### Key Highlights of Q1FY12 results

- Strong order-backlog coupled with better execution resulted in Revenue growth of ~79% YoY from Rs.1845 mn in Q1FY11 to Rs.3300 mn in Q1FY12. Of the total revenues in Q1FY12, ~35% was contributed by road segment followed by buildings & power which contributed ~20% each.
- Operating profit grew by ~50% YoY to Rs.550 mn in Q1FY12, whereas margins declined by 320 bps to 16.7% which was mainly on account of higher raw-material cost which increased by ~88% to Rs.2618 mn.
- Net profit grew by ~64% YoY from Rs.156 mn in Q1FY11 to Rs.256 mn in Q1FY12 whereas margins declined by ~60 bps to 7.8% majorly due to higher interest cost which increased by ~92% YoY to Rs.158 mn. EPS for Q1FY12 stood at Rs.15.3.

### Order-book Position & other developments

- SIIL has a healthy order-book position of ~ Rs.27 bn which is executable over a period of 24-30 months, thus providing strong revenue growth visibility over the next few years. Apart from the above order-book position, the Company is L1 in contracts worth Rs.7 bn. Also the Company has outstanding bids to the tune of Rs.40 bn.
- Of the total order book position (incl. L1), ~48% is attributed towards Road segment, ~42% is from Buildings while the remaining comes from other segments like Power, Bridges etc. During Q1FY12, the company was successful in securing orders worth Rs.5.6 bn which includes Jaipur Ring Road BOT project worth Rs.4.6 bn (SIIL's EPC share).
- BOT Projects** – The Company has 7 BOT projects (incl. L1 - AKT road project) under its kitty of which 5 are Road BOT projects. **Road BOT projects** – Manor-Wada project is under construction (~35% complete) & is likely to get completed by July'13. Panvel-Indapur & Jaipur Ring road projects are in financial closure stage. Nagar-Koparagaon is the newly acquired project from the existing asset holder & is likely to get operational by FY13. **Other BOT projects** – Kasheli bridge project is likely to get commissioned in Q2FY12 with expected toll collection of ~Rs.0.15 mn per day. Haji-Malang funicular rope-way project has received Supreme Court's clearance & is likely to go ahead with financial closure process.

### OUTLOOK & VALUATION

Supreme Infra has reported excellent set of numbers for the quarter ended June'11 which were above our expectations. Healthy order-book position coupled with strong execution capabilities provides good revenue visibility over the next few years. Recent foray into BOT space is likely to act as a major growth trigger for the Company in next 2-3 years. At the CMP of Rs.226, the stock is quoting at 4.0x & 0.8x its FY13E EPS and BV of Rs.55.8 & Rs.268 respectively. Hence considering the robust performance & strong growth prospects of the Company, we maintain our 'BUY' rating on the stock with target price of Rs.310.

### KEY FINANCIALS

Y/E Mar.	Revenue (Rs mn)	APAT (Rs mn)	AEPS (Rs)	AEPS (% Ch.)	P/E (x)	ROCE (%)	ROE (%)	P/BV (x)
FY10	5332.6	398.1	28.7	46.1	7.9	13.3	29.4	2.0
FY11E	9186.9	706.9	42.2	47.2	5.4	16.8	34.4	1.5
FY12E	12720.0	832.4	49.7	17.7	4.5	15.5	27.0	1.1
FY13E	15811.2	934.6	55.8	12.3	4.0	14.5	23.1	0.8

### QUARTERLY STATEMENT

Rs.mn

Y/E March	Q1FY11	Q4FY11	Q1FY12
<b>Income from Operations</b>	<b>1845.2</b>	<b>3279.6</b>	<b>3300.2</b>
(%) YoY	72.8	88.2	78.9
Raw Material Consumed	1392.9	2572.0	2618.7
Staff Cost	47.2	69.1	78.2
Other Expenditure	38.6	131.9	53.7
Total Expenditure	1478.7	2772.9	2750.6
<b>PBIDT</b>	<b>366.5</b>	<b>506.7</b>	<b>549.7</b>
% Margin	19.9	15.4	16.7
Interest	82.3	133.5	158.5
Depreciation	49.3	80.9	63.3
<b>PBT incl OI</b>	<b>234.9</b>	<b>292.3</b>	<b>327.9</b>
Tax	79.1	18.6	72.1
<b>APAT</b>	<b>155.8</b>	<b>273.7</b>	<b>255.8</b>
% Margin	8.4	8.3	7.8

### PROFIT & LOSS STATEMENT (Stand.)

Rs.mn

Y/E March	FY10	FY11E	FY12E	FY13E
<b>Net Sales</b>	<b>5332.6</b>	<b>9186.9</b>	<b>12720.0</b>	<b>15811.2</b>
Raw Material Cost	1469.0	3260.0	4770.0	6166.4
Subcontracting Exps	2355.4	3170.0	4318.4	5296.8
Other Direct Exps	195.6	470.0	610.6	751.0
Staff Cost	142.0	270.8	362.5	458.5
<b>PBIDT</b>	<b>947.0</b>	<b>1564.1</b>	<b>2105.2</b>	<b>2490.3</b>
PBIDT (%)	17.8	17.0	16.6	15.8
Interest	220.2	403.8	621.1	810.8
Depreciation	202.1	236.9	280.0	320.0
<b>PBT</b>	<b>559.5</b>	<b>923.7</b>	<b>1224.1</b>	<b>1374.5</b>
Tax	161.3	216.7	391.7	439.8
<b>APAT</b>	<b>398.2</b>	<b>706.9</b>	<b>832.4</b>	<b>934.6</b>

### BALANCE SHEET STATEMENT (Stand.)

Rs.mn

As on 31 <sup>st</sup> March	FY10	FY11E	FY12E	FY13E
Share Capital	138.8	167.4	167.4	167.4
Reserves & Surplus	1384.1	2388.8	3181.4	4076.3
<b>Net Worth</b>	<b>1552.9</b>	<b>2556.3</b>	<b>3598.8</b>	<b>4493.7</b>
Total Loan funds	3003.9	4100.0	5140.0	6400.0
<b>Capital Employed</b>	<b>5004.8</b>	<b>7055.9</b>	<b>9138.4</b>	<b>11293.3</b>
Net Block	2059.5	2558.0	2628.0	2658.0
Cap. WIP	386.1	336.0	286.0	236.0
Investments	122.6	922.6	2347.6	3790.6
Sundry Debtors	1846.0	2441.5	3066.7	3682.1
Cash & Bank Bal	154.5	198.1	158.8	236.4
Loans & Advances	782.9	855.8	1045.5	1169.6
Inventory	639.9	909.1	1248.0	1535.1
Curr Liab & Prov	986.6	1165.0	1642.1	2014.4
Net Current Assets	2436.7	3239.4	3876.9	4608.7
<b>Total Assets</b>	<b>5004.8</b>	<b>7055.9</b>	<b>9138.4</b>	<b>11293.3</b>

Source : Company, Sushil Finance Research Estimates

### FINANCIAL RATIO STATEMENT

Y/E March	FY10	FY11E	FY12E	FY13E
<b>Growth</b>				
Net Sales	39.5	72.3	38.5	24.3
EBITDA	45.5	65.2	34.6	18.3
APAT	46.1	77.6	17.7	12.3
<b>Profitability</b>				
EBITDA Margin (%)	17.8	17.0	16.6	15.8
Net Profit Margin (%)	7.5	7.7	6.5	5.9
ROCE (%)	13.3	16.8	15.5	14.5
ROE (%)	29.4	34.4	27.0	23.1
<b>Per Share Data (Rs.)</b>				
EPS (Rs.)	28.7	42.2	49.7	55.8
CEPS (Rs.)	44.4	56.4	66.4	74.9
BVPS (Rs)	111.9	152.7	215.0	268.4
<b>Valuation</b>				
PER (x)	7.9	5.4	4.5	4.0
PEG (x)	0.2	0.1	0.4	0.3
P/BV (x)	2.0	1.5	1.1	0.8
EV/EBITDA (x)	6.3	4.9	4.2	4.0
EV/Net Sales (x)	1.1	0.8	0.7	0.6
<b>Gearing Ratio</b>				
D/E	1.9	1.6	1.4	1.4

## Rating Scale

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of six rating categories, with a corresponding risk rating.

### Risk Rating

Risk Description	Predictability of Earnings / Dividends; Price Volatility
Low Risk	High predictability / Low volatility
Medium Risk	Moderate predictability / volatility
High Risk	Low predictability / High volatility

### Total Expected Return Matrix

Rating	Low Risk	Medium Risk	High Risk
Buy	Over 15 %	Over 20%	Over 25%
Accumulate	10 % to 15 %	15% to 20%	20% to 25%
Hold	0% to 10 %	0% to 15%	0% to 20%
Sell	Negative Returns	Negative Returns	Negative Returns
Neutral	Not Applicable	Not Applicable	Not Applicable
Not Rated	Not Applicable	Not Applicable	Not Applicable

#### Please Note

- Recommendations with "Neutral" Rating imply reversal of our earlier opinion (i.e. Book Profits / Losses).
- \*\* Indicates that the stock is illiquid With a view to combat the higher acquisition cost for illiquid stocks, we have enhanced our return criteria for such stocks by five percentage points.
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