

Growth in Order Book Inflow

Results Highlights

- ⇒ The topline of the company stood at Rs. 3,397 mn a growth of 26.9% yoy. Second half of the year being strong in term of execution which is being reflected in the topline of Q3FY12 and we expect the same run rate to continue. We saw good execution on the EPC front especially road segments. Management has informed that substantial construction work has commenced on newly procured road BOT projects.
- ⇒ EBIDTA margins stood at 15.3% a decline of 46 bps yoy, primarily due to higher operating expenses as a percentage of sales by 66 bps yoy. Management has guided to maintain its margins between 13% to 14%.
- ⇒ Adjusted net profit margins stands at 6.6% a decline of 208 bps yoy. High cost of borrowings, rise in depreciation and higher tax outgo resulted in reduction of margins. Interest cost as a percentage of sales stands at 4.6% a rise of 85 bps yoy. Average cost of borrowings for the company stands at 13% and we expect steady margins for the next few quarters.

Other Highlights

- ⇒ Order book of the company stands at ~Rs. 22.2 bn constituting 21 projects and the major order flow constitutes from government organization. The order book to bill ratio stands at 2.2x FY11 sales which gives us the revenue visibility for next two years. The fresh order inflow for last four months stood at ~Rs 11 bn while year to date fresh order inflow stood at ~Rs. 14 bn. Outstanding bids for various projects as on date stands at ~120 bn. We expect order inflow to improve which was not the case nine months back which saw aggressive biddings. Now we see upward correction cycle in the industry which would increase the fresh order book inflow and we have estimated fresh order inflow of ~Rs. 30 bn in FY13.
- ⇒ On the BOT projects front company has started booking revenue on the Rimuli Roxy Rajamunda project, Orissa (Toll) where the company has 50% stake while, the balance is with SREI infra and company has made equity investment of Rs 250 mn as on date. The other two BOT projects i.e. Seoni Katangi, MP (Toll) bagged during second quarter and Waraseoni Lalbarra, MP (Toll + Annuity) bagged last quarter has achieved financial closure and substantial construction work has started as informed by the management. The new BOT project Bikaner Suratgarh, Rajasthan (Toll) bagged in the month of Jan 2012 in 50:50 JV with SREI Infra costing ~Rs. 5 bn is expected to achieve financial closure by end of FY12.

Outlook

In view of the growing order book flow from NHAI, efficient execution of ongoing projects, backward integration and improving track record, we expect the company's top line to grow at a healthy CAGR rate of ~30% during FY11A to FY13E. The company is well poised to capitalise on the opportunities and grow faster than its peers. The company is also diversifying into dedicated freight corridor which will give company an opportunity in different line of segment. With the increase in BOT project from one to five projects which will improve the cash flow of the company going forward. We maintain "Buy" on the stock with a target price of Rs 265, an upside of 50% from the present levels based on SOTP method of valuation.

Key Financials (Consolidated)

YE March (Rs. mn)	FY09A	FY10A	FY11A	FY12E	FY13E
Net Sales	5,138	6,331	10,016	12,431	17,039
Sales Growth (Y-o-Y)	73.4%	23.2%	58.2%	24.1%	37.1%
EBIDTA	739	914	1,371	1,718	2,368
EBIDTA Growth (Y-o-Y)	82.9%	23.6%	50.1%	25.3%	37.9%
Net Profit	274	370	617	760	1,060
Net Profit Growth (Y-o-Y)	61.9%	35.0%	66.9%	23.0%	39.6%
Diluted EPS	23.2	28.1	35.2	43.4	60.6
Diluted EPS Growth (Y-o-Y)	61.9%	21.2%	25.4%	23.0%	39.6%
No of Diluted shares (mn)	12	13	18	18	18
Key Ratios					
EBIDTA (%)	14.4%	14.4%	13.7%	13.8%	13.9%
NPM (%)	5.3%	5.8%	6.2%	6.1%	6.2%
RoE (%)	37.1%	24.8%	25.6%	24.9%	27.1%
RoCE (%)	20.6%	15.9%	16.9%	16.2%	17.2%
Debt/Equity (x)	2.3x	1.0x	1.1x	1.1x	1.2x
Valuation Ratios					
P/E (x)			5.0x	4.1x	2.9x
P/Bvx			1.2x	0.9x	0.7x
EV/EBITDA (x)			4.2x	3.8x	3.1x

Source: Company, BP Equities Research

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Neutral

Stock

CMP (Rs)	176.85
Target Price (Rs)	265.00
Prev. Reco. (Rs)	169.00
BSE code	533152
NSE Symbol	MBLINFRA
Bloomberg	MBL IN
Reuters	MBLI.BO

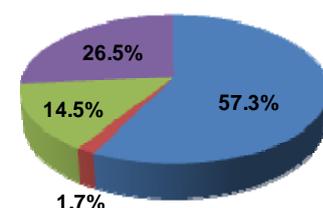
Key Data

Nifty	5607.2
52WeekH/L(Rs)	209.00/92.50
O/s Shares (mn)	17.51
Market Cap (Rs mn)	3,097
Face Value (Rs)	10

Average volume

3 months	22,642
6 months	18,325
1 year	21,463

Share Holding Pattern (%)



■ Promoter ■ FI ■ DII ■ Others

Relative Price Chart



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Quarterly Result Analysis

Financial Statement (Consolidated)

YE March (Rs mn)	Q3FY12	Q2FY12	QoQ % change	Q3FY11	YoY % change	9M FY12	9M FY11	YoY % change
Total Income	3,397	1,540	120.5%	2,677	26.9%	8,067	6,162	30.9%
Less:								
Employee cost	40	42	-4.3%	37	8.1%	119	117	1.7%
Operating Expenses	2,837	1,265	124.3%	2,218	27.9%	6,752	5,084	32.8%
Total Operating Expenditure	2,877	1,307	120.2%	2,255	27.5%	6,871	5,201	32.1%
EBITDA	520	234	122.5%	422	23.2%	1,196	961	24.5%
Depreciation	36	28	29.5%	25	48.6%	92	72	28.0%
Operating Profit	484	206	135.2%	398	21.6%	1,105	889	24.2%
Add: Income	0	2	-89.5%	1	-71.4%	1	3	-61.8%
Less: Interest & Finance Charges	155	109	42.1%	99	55.8%	375	259	44.9%
Profit Before Tax	329	99	233.8%	299	10.0%	731	634	15.3%
Less: Total Tax	106	19	471.0%	68	56.9%	228	167	36.2%
Profit After Tax	223	80	178.6%	231	-3.7%	503	466	7.8%
Less: Minority Interest	-	-	N.A	-	N.A	-	-	N.A
Adjusted PAT	223	80	178.6%	231	-3.7%	503	466	7.8%
Reported Diluted EPS (Rs)	12.7	4.6	178.7%	13.2	-3.7%	28.7	26.6	7.9%
Margin Analysis %			<i>Change in bps</i>		<i>Change in bps</i>			<i>Change in bps</i>
EBIDTA Margin	15.3%	15.2%	13	15.8%	(46)	14.8%	15.6%	(76)
Operating Margin	14.2%	13.3%	89	14.8%	(61)	13.7%	14.4%	(74)
Adjusted NPM	6.6%	5.2%	137	8.6%	(208)	6.2%	7.6%	(133)
Effective Tax Rate	32.3%	18.9%	1,342	22.7%	964	31.2%	26.4%	478
Cost Analysis %			<i>Change in bps</i>		<i>Change in bps</i>			<i>Change in bps</i>
Employee Cost/Sales	1.2%	2.7%	(154)	1.4%	(20)	1.5%	1.9%	(42)
Operating Expenditure/Sales	83.5%	82.1%	140	82.9%	66	83.7%	82.5%	119
Interest cost/Sales	4.6%	7.1%	(252)	3.7%	85	4.6%	4.2%	45

Source: Company, BP Equities Research

Other Highlights

- ⇒ The toll collection at Seoni Balaghat Rajegaon operational BOT project for 9m FY12 stood at ~Rs. 103.2 mn and the management expects to achieve toll collection of ~Rs. 120 mn by end of FY12.
- ⇒ Recently the company has recommended as interim dividend of 15% which comes to Rs 1.5 per share on paid value of Rs. 10 per share.

Valuation

The fair value of the company stands at Rs.265 per share using the SOTP method. We have measured the EPC business on P/E basis and BOT business on DCF basis

Figure: Valuation Summary

Business	Rs
Contribution EPC	238
Contribution BOT	27
Fair Value per share	265

Source: BP Equities Research

⇒ EPC Business

We have valued the EPC business on relative valuation basis by assigning P/E multiple to its stand-alone business. MBL EPC Business trades at a P/E of 4.2x and 3.0x to its FY12E and FY13E EPS of Rs. 42.1 and Rs. 59.6 which we think is available at a steep discount to its peers considering its high growth rate and healthy return ratios. Going forward we expect the valuation gap to narrow in the medium term and the company will trade at valuation in comparison to its peers. We have reached at standalone target price of Rs 238 per share, which is ~4.0x FY13E EPS of Rs.59.6 per share.

⇒ BOT Business

Seoni - Balaghat - Rajegaon, BOT project which is operational has been valued using DCF basis which gives a value of Rs.27 per share.

Figure: BOT Valuation

Seoni-Balaghat-Rajegaon	
WACC	16%
Average Traffic Growth	5%
Toll Growth	7%
Net Present Value (Rs. in mn)	468
No. of Equity share (mn)	17.5
Value per share (Rs.)	27
Concession Period ends	FY2023

Source: BP Equities Research

Outlook

In view of the growing order book flow from NHAI, efficient execution of ongoing projects, backward integration and improving track record, we expect the company's top line to grow at a healthy CAGR rate of ~30% during FY11A to FY13E. The company is well poised to capitalise on the opportunities and grow faster than its peers. The company is also diversifying into dedicated freight corridor which will give company an opportunity in different line of segment. Even addition of BOT projects from one operation project to current total of 5 projects will improve the cashflow of the company going forward.

Income Statement

YE March (Rs. mn)	FY09A	FY10A	FY11A	FY12E	FY13E
Net Sales	5,136	6,370	10,016	12,431	17,039
Other Operating Income	2	-39	-	-	-
Total Revenue	5,138	6,331	10,016	12,431	17,039
Less:					
Operating Expenses	4,265	5,236	8,391	10,381	14,214
Employee Remuneration & Benefits	68	103	161	209	287
Administrative Expenses	66	79	93	123	169
Total Operating Expenditure	4,399	5,418	8,645	10,713	14,670
EBIDTA	739	914	1,371	1,718	2,368
Less: Depreciation	83	67	96	105	150
EBIT	656	847	1,275	1,613	2,218
Interest Paid	280	302	359	469	621
Non-operating Income	6	7	7	3	4
Profit Before tax	382	551	923	1,147	1,602
Tax	107	181	306	388	541
Minority Interest	-	-	-	-	-
Net Profit	275	370	617	759	1,060

Key Ratios

YE March (Rs. mn)	FY09A	FY10A	FY11A	FY12E	FY13E
Key Operating Ratios					
EBITDA Margin (%)	14.4%	14.4%	13.7%	13.8%	13.9%
Tax / PBT (%)	28.2%	32.9%	33.1%	33.8%	33.8%
Net Profit Margin (%)	5.3%	5.8%	6.2%	6.1%	6.2%
RoE (%)	37.1%	24.8%	25.6%	24.9%	27.1%
RoCE (%)	20.6%	15.9%	16.9%	16.2%	17.2%
Current Ratio (x)	2.9x	3.1x	4.7x	5.1x	5.1x
Dividend Payout (%)	9.8%	11.0%	8.2%	6.7%	4.8%
Book Value Per Share (Rs.)	71	160	152	193	251
Financial Leverage Ratios					
Debt/ Equity (x)	2.3x	1.0x	1.1x	1.1x	1.2x
Interest Coverage (x)	2.6x	3.0x	3.8x	3.7x	3.8x
Interest / Debt (%)	18.8%	15.1%	14.4%	14.0%	14.0%
Growth Indicators %					
Growth in Gross Block (%)	14.0%	16.9%	16.2%	25.2%	18.3%
Sales Growth (%)	74.7%	24.0%	57.2%	24.1%	37.1%
EBITDA Growth (%)	82.9%	23.6%	50.1%	25.3%	37.9%
Net Profit Growth (%)	61.9%	35.0%	66.9%	23.0%	39.6%
Diluted EPS Growth (%)	61.9%	21.2%	25.4%	23.0%	39.6%
Turnover Ratios					
Debtors (Days of net sales)	85	127	81	79	74
Creditors (Days of Raw Materials)	19	48	15	15	14
Inventory (Days of Optg. Costs)	33	66	81	70	65

Source: Company, BP Equities Research

Balance Sheet

YE March (Rs. mn)	FY09A	FY10A	FY11A	FY12E	FY13E
Liabilities					
Equity Capital	118	175	175	175	175
Reserves & Surplus	864	2,066	2,632	3,341	4,356
Equity	982	2,241	2,807	3,517	4,532
Preference Share Capital	-	-	-	-	-
Net Worth	982	2,241	2,807	3,517	4,532
Minority Interest	-	-	-	-	-
Net Deferred tax liability/(Asset)	87	145	208	208	208
Total Loans	1,942	2,069	2,909	3,767	5,074
Capital Employed	3,011	4,454	5,924	7,491	9,813
Assets					
Gross Block	1,605	1,876	2,179	2,729	3,229
Less: Depreciation	360	426	521	669	818
Net Block	1,245	1,450	1,658	2,060	2,410
Capital WIP	0	49	0	300	476
Investments	0	0	0	0	0
Intangible Assets	-	-	-	-	-
Current Assets					
Inventories	402	977	1,917	2,053	2,610
Sundry Debtors	1,200	2,213	2,216	2,698	3,473
Cash and Bank Balance	450	336	298	322	717
Loans and Advances	345	541	729	985	1,352
Other Current Assets	298	276	248	337	449
Total Current Assets	2,695	4,342	5,408	6,395	8,601
Less: Current Liabilities & Provisions					
Sundry Creditors	226	705	353	440	562
Provisions	37	60	190	55	55
Other Current Liabilities	667	621	600	769	1,056
Total Current Liabilities & Provisions	929	1,387	1,143	1,265	1,674
Miscellaneous Assets	-	-	-	-	-
Capital Applied	3,011	4,454	5,924	7,491	9,813

Cash Flow Analysis

YE March (Rs. mn)	FY09A	FY10A	FY11A	FY12E	FY13E
EBITDA	656	847	1,275	1,613	2,218
Less: Adjusted Taxes	185	278	422	545	750
NOPLAT	471	569	853	1,068	1,469
Plus: Depreciation	83	67	96	105	150
Less: Increase in Working Capital	811	1,586	1,452	999	1,570
Operating Cashflow	-258	-951	-504	174	49
Less: Net Capex	185	320	255	808	676
Less: Increase in Net Other Assets	83	-310	-99	-109	-161
FCF From Operation	-525	-961	-659	-525	-466
Less: Inc./(Dec.) in Investment	0	0	0	0	0
FCF after Investment	-525	-961	-659	-525	-466
Plus: Gain/(loss) on Extraordinary Items	-	-	-	-	-
Plus: Foreign currency Translation Effect	-	-	-	-	-
Total FCF	-525	-961	-659	-525	-466
Financing Cash Flow					
Interest Exp/(inc) After Tax, Net	197	199	236	308	408
Inc/(dec) in Excess Cash and Marketable Securities	136	-144	-106	-25	388
Dec/(Inc) in Debt	-896	-127	-840	-858	-1,307
Dividends	27	41	51	51	51
Share Repurchase/(Issues)	12	-930	1	-2	-6
Total Financing Flow	-525	-961	-659	-525	-466

Valuation Ratios

YE March (Rs. mn)	FY09A	FY10A	FY11A	FY12E	FY13E
P/E (x)			5.0x	4.1x	2.9x
P/BV (x)			1.2x	0.9x	0.7x
EV/EBIDTA (x)			4.2x	3.8x	3.1x
EV/Sales			0.6x	0.5x	0.4x
Market Cap./ Sales (x)			0.3x	0.2x	0.2x
Dividend Yield (%)			1.4%	1.4%	1.4%

Source: Company, BP Equities Research



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