

# Era Infra Engineering Ltd

Q2FY12 first cut: Performance in line with expectations

Fundamental Grade 4/5 (Superior fundamentals)  
Valuation Grade 4/5 (CMP has upside)

Industry Construction & Engineering

Era Infra Engineering Ltd's (Era's) Q2FY12 results were in line with CRISIL Research's expectations. Though revenue growth of 10% y-o-y was lower than expectations, EBITDA margins of 21.6%, surprised positively. Earnings (adjusted for forex loss), declined 17% y-o-y on higher interest costs and was in line with our estimates. We may revisit our estimates after interaction with the management. We maintain the fundamental grade of **4/5**.

## Q2FY12 standalone result analysis

- Revenues grew 10.1% y-o-y (up 2% q-o-q) to Rs 8,921 mn driven by execution of the current order book and ~7% contribution from the trading segment compared to nil in Q2FY11.
- EBITDA margin declined slightly by 57 bps y-o-y and remained healthy at 21.6% due to increase in raw material costs. On q-o-q basis, EBITDA margins improved 133 bps.
- Decline in EBITDA margin and higher interest cost led to 16.9% y-o-y decline in PAT (adjusted for forex loss of Rs 266 mn) to Rs 513 mn. PAT margin declined 187 bps y-o-y and 13 bps q-o-q to 5.8%. EPS was reported at Rs 2.8 vs. Rs 3.4 in Q2FY11.

## Valuations: Current market price has upside

We continue to value Era based on the sum-of-the-parts method and arrive at a fair value of Rs 170 per share. Given the current market price, we retain the valuation grade of **4/5**.

## KEY FORECAST

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	23,377	33,524	37,551	42,039	48,194
EBITDA	4,260	6,621	7,278	7,608	8,462
Adj PAT	1,298	2,388	2,202	1,960	2,113
Adj EPS-Rs	9.0	13.3	12.1	10.8	10.7
EPS growth (%)	(33.2)	47.4	(9.1)	(11.0)	(0.4)
Dividend yield (%)	0.3	0.3	0.3	0.2	0.2
RoCE (%)	15.6	18.0	14.4	11.9	10.3
RoE (%)	18.2	20.4	13.8	10.5	9.3
PE (x)	16.8	11.4	12.5	14.1	14.1
P/BV (x)	2.5	1.9	1.6	1.4	1.2
EV/EBITDA (x)	8.7	7.1	7.5	9.1	9.7

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

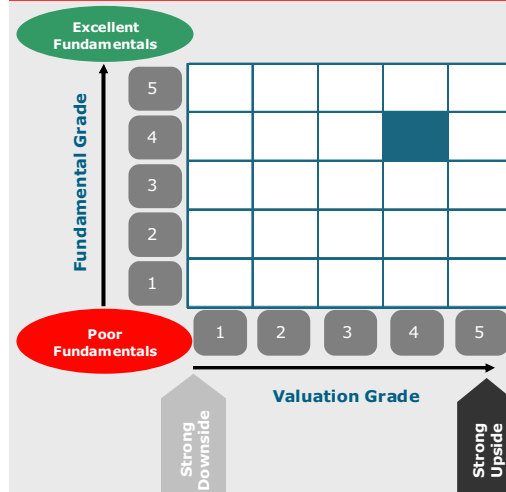


November 14, 2011

Fair Value Rs 170

CMP Rs 152

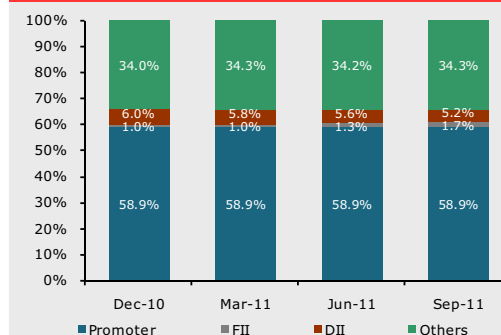
## CFV MATRIX



## KEY STOCK STATISTICS

NIFTY / SENSEX	5148/17119
NSE / BSE ticker	ERAINFRA
Face value (Rs per share)	2
Shares outstanding (mn)	181.8
Market cap (Rs mn)/(US\$ mn)	27,574/551
Enterprise value (Rs mn)/(US\$ mn)	54,733/1,093
52-week range (Rs) (H/L)	238/142
Beta	0.4
Free float (%)	41.1%
Avg daily volumes (30-days)	311,302
Avg daily value (30-days) (Rs mn)	47.2

## SHAREHOLDING PATTERN



## PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
ERA	0%	-5%	-18%	-34%
NIFTY	0%	1%	-7%	-15%

## ANALYTICAL CONTACT

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