

Date- 21<sup>st</sup> February 2012

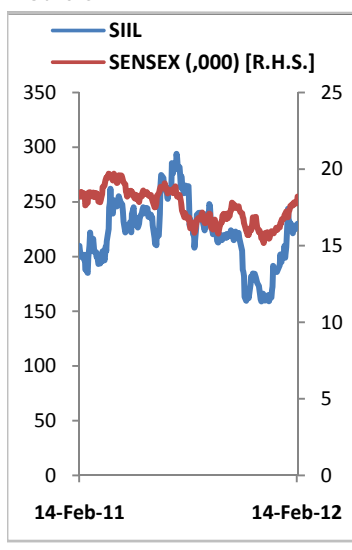
## Stock information

<b>Sector:</b>	<b>Construction &amp; Eng.</b>
<b>CMP</b>	<b>₹247.0</b>
<b>Target Price:</b>	<b>₹288.0</b>
<b>Upside Potential:</b>	<b>16.6%</b>
BSE Code	532904
NSE Code	SUPREMEINF
Bloomberg	SPII@IN
Reuters	SIIL.BO
Mkt cap (mn)	4125.7
Equity shares(mn)	16.7
Face Value(INR)	10
52Weeks H/L	296.9/152.5
Sensex	18404.9
Nifty	5607.2

Shareholding as on 31<sup>st</sup>

## December 2011 (%)

Promoters	56.8
Mutual Funds/UTI	6.5
FII's	6.1
Bodies Corporate	17.1
Public	11.8
Others	1.7



□ Supreme Infrastructure India Ltd (SIIL) has registered a revenue of ₹4105.8 mn in Q3FY12, reporting a robust growth of 70.7% on Y-o-Y basis, whereas the revenue has grown by 58.5% on sequential basis. For 9MFY12, SIIL's revenue stood at ₹9997.2 mn, registering a whopping 69.2% revenue growth Y-o-Y basis.

□ In Q3FY12, SIIL registered an EBITDA Margin of 16.9% which has shown a decline of 30 bps on Y-o-Y basis and 150 bps on Q-o-Q basis, mainly due increasing operating cost during the quarter.

□ During the quarter, the company has reported a net profit of ₹250.2 mn, registering a growth of 31.8% on Y-o-Y basis and 67.2% on Q-o-Q basis. The Net profit margin for the quarter stood at 6.1%, which declined significantly by 180 bps on Y-o-Y basis, however it has shown an improvement of 30 bps on Q-o-Q basis. The decline in the Net profit margin was mainly due to the increase in the interest cost on Y-o-Y basis (the interest cost in Q3FY12 stood at ₹252.7 mn with an increase of 144.2% on Y-o-Y basis).

□ At the end of Q3FY12, SIIL's order book stood at ₹37724 mn (including L1 orders of ₹4210 mn) with fresh order addition of worth ₹6303 mn. The order additions include; 1) Construction of SKYZ Towers- Ramprastha (₹1413 mn) 2) Construction of Tower-BPTP (₹710 mn) 3) Sangli-shiroli Road BOT (₹2730 mn) 4) Patiala malerkotla Road BOT (₹210 mn) 5) Flyover at Rajnoli and Mankoli junction, Thane (₹1240 mn). In Q3FY12, SIIL has completed 5 orders worth ₹7015 mn.

□ In January 2012, 3i infrastructure fund has invested ~₹2990 mn, for taking a minority stake in 4 BOT (Built-Operate-Transfer) road projects of SIIL. The partnership with 3i offers the company an access to a wide global network of contacts and experience which also brings strategic value addition to the whole transaction in the whole run.

## Valuation:

At CMP of ₹247 the stock is trading at P/E of 5.5x of its FY12E EPS of ₹45.4 and at 4.5x of its FY13E EPS of ₹55.5. Given the increasing focus on execution across geographies and a modest order inflow during the quarter, we expect that, the company will increase its revenue visibility because of its continues focus on increasing the order inflows in coming quarters and hence we **maintain 'BUY' with target price of ₹288/ share**, with construction business at ₹249.7 (5.5x P/E on FY12E EPS) and the investments in two BOT projects is considered at 1X P/BV to value at ₹38.5/ share.

	Revenue (₹ mn)	EBITDA (₹ mn)	EBITDA Margins (%)	PAT (₹ mn)	Net margins (%)	EPS (₹)	P/E (x)	EV/EBITDA (x)	ROE (%)
<b>FY10</b>	5332.6	947.0	17.8%	392.0	7.4%	28.3	6.4	5.9	25.2%
<b>FY11</b>	9186.9	1564.8	17.0%	748.1	8.1%	44.7	5.2	5.3	26.4%
<b>FY12E</b>	11942.9	1912.0	16.0%	759.6	6.4%	45.4	5.5	4.8	22.6%
<b>FY13E</b>	14928.6	2407.7	16.1%	929.6	6.2%	55.5	4.5	4.1	22.2%

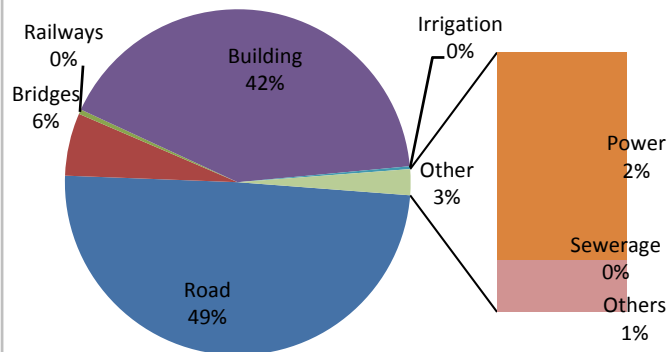
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### Q3FY12 Financial Result Analysis: (₹ in mn):

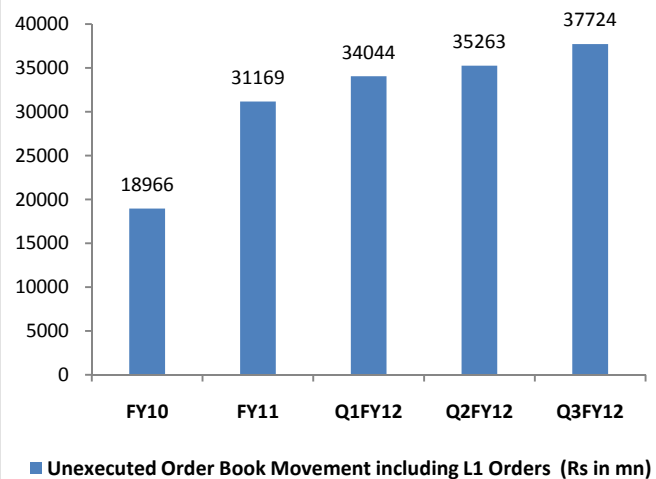
DESCRIPTION	Q3FY12	Q3FY11	Y-o-Y (%)		Q-o-Q (%)		9MFY12	9MFY11	Y-o-Y (%)
			Change	Change	Change	Change			
Net Sales	4098.9	2402.9	-	-	2584.5	-	9982.6	5902.7	-
Other operating income	7.0	1.9	-	-	6.6	-	14.6	4.6	-
<b>Net Sales &amp; Other Op. Income</b>	<b>4105.8</b>	<b>2404.8</b>	<b>70.7</b>	<b>70.7</b>	<b>2591.1</b>	<b>58.5</b>	<b>9997.2</b>	<b>5907.3</b>	<b>69.2</b>
(Increase) / Decrease In Stocks	75.0	-35.8	-	-	-104.2	-	187.7	-10.1	-
Operating & Mfg. Expenses	3162.9	1867.6	69.4	69.4	2021.7	56.4	7586.1	4497.6	68.7
Employee Cost	89.3	93.9	-4.9	-4.9	81.1	10.0	248.6	201.7	23.2
Other Expenses	86.3	65.2	32.4	32.4	115.6	-25.4	255.6	160.1	59.7
Total Expenditure	3413.5	1990.9	71.5	71.5	2114.3	61.4	8278.1	4849.3	70.7
PBITD (Excl OI)	692.4	413.9	67.3	67.3	476.8	45.2	1719.1	1058.0	62.5
<b>EBITDA Margin (%)</b>	<b>16.9%</b>	<b>17.2%</b>	-	-	<b>18.4%</b>	-	<b>17.2%</b>	<b>17.9%</b>	-
Other Income	0.0	0.2	-	-	0.0	-	0.0	0.2	-
<b>Operating Profit</b>	<b>692.4</b>	<b>414.1</b>	<b>67.2</b>	<b>67.2</b>	<b>476.8</b>	<b>45.2</b>	<b>1719.1</b>	<b>1058.2</b>	<b>62.5</b>
Interest	252.7	103.4	144.3	144.3	202.7	24.7	613.9	270.3	127.1
PBDT	439.6	310.7	41.5	41.5	274.1	60.4	1105.2	787.9	40.3
Depreciation	86.7	54.7	58.5	58.5	56.9	52.5	206.9	156.0	32.6
PBT	352.9	255.9	37.9	37.9	217.2	62.4	898.3	631.9	42.2
Exception Items	0.0	40.7	-	-	0.0	-	0.0	40.7	-
PBT (After Exceptional Items)	352.9	296.6	19.0	19.0	217.2	62.4	898.3	672.6	33.6
Tax	102.7	106.8	-3.8	-3.8	67.6	51.9	242.5	201.8	20.2
Net Profit	250.2	189.9	31.8	31.8	149.6	67.2	655.9	470.8	39.3
<b>Net Profit Margin (%)</b>	<b>6.1%</b>	<b>7.9%</b>	-	-	<b>5.8%</b>	-	<b>6.6%</b>	<b>8.0%</b>	-
Adj. EPS (Not Annualized)	14.9	12.3	21.5	21.5	8.9	67.1	39.2	30.6	28.2

### SIIL's Order book break-up as on Q3FY12 (Including L1 Orders) & Order Book movement:

**Q3FY12- Order Book Break-up % Contribution [Including L1 Orders]**



**Unexecuted Order Book Movement including L1 Orders (Rs in mn)**



Source: Company, ACE Equity, KC Research

### Income Statement (₹ in Mn):

DESCRIPTION	FY09	FY10	FY11A	FY12E	FY13E
Net Sales	3822.5	5340.9	9186.9	11942.9	14928.6
Total Operating Expenditure	3171.6	4385.5	7622.1	10031.0	12520.9
<b>Operating Profit (Excl OI)</b>	<b>650.9</b>	<b>955.3</b>	<b>1564.8</b>	<b>1912.0</b>	<b>2407.7</b>
<b>Operating Profit Margin (%)</b>	<b>17.0%</b>	<b>17.9%</b>	<b>17.0%</b>	<b>16.0%</b>	<b>16.1%</b>
Other Income	12.0	26.5	0.2	0.3	0.5
Miscellaneous Income					
<b>Operating Profit</b>	<b>662.9</b>	<b>981.9</b>	<b>1565.0</b>	<b>1912.3</b>	<b>2408.2</b>
Interest/ Finance charge	133.2	192.0	352.1	487.0	562.0
Bank Charges	38.1	28.2	51.7	103.4	206.8
Exceptional Income			40.7		
EBDT	491.6	761.7	1161.2	1321.9	1639.4
Depreciation	130.6	202.1	236.9	236.8	252.0
<b>Profit Before Tax</b>	<b>361.0</b>	<b>559.5</b>	<b>924.3</b>	<b>1085.1</b>	<b>1387.4</b>
Provision for Tax	91.1	167.5	216.7	325.5	457.8
<b>PAT</b>	<b>269.9</b>	<b>392.0</b>	<b>748.1</b>	<b>759.6</b>	<b>929.6</b>
<b>Net Profit Margin (%)</b>	<b>7.1%</b>	<b>7.3%</b>	<b>8.1%</b>	<b>6.4%</b>	<b>6.2%</b>

### Balance Sheet Statement (₹ in Mn):

	FY9	FY10	FY11E	FY12E	FY13E
<b>SOURCES OF FUNDS:</b>					
Share Capital	138.8	138.8	167.4	167.4	167.4
Total Reserves	1016.5	1384.1	2510.9	3189.8	4028.0
<b>Shareholder's Funds/ Networth</b>	<b>1155.2</b>	<b>1552.9</b>	<b>2678.3</b>	<b>3357.2</b>	<b>4195.3</b>
Secured Loans	1752.0	2851.9	2219.5	2719.5	3219.5
Unsecured Loans	414.0	550.5	2250.5	2550.5	2750.5
Total Debts	2166.1	3402.3	4470.0	5270.0	5970.0
<b>Total Liabilities</b>	<b>3321.3</b>	<b>4955.2</b>	<b>7148.3</b>	<b>8627.2</b>	<b>10165.3</b>
<b>APPLICATION OF FUNDS :</b>					
Gross Block	2124.5	2514.7	2748.4	2959.5	3150.2
Less: Accumulated Depreciation	254.9	455.2	692.1	928.9	1180.9
Net Block	1869.6	2059.5	2056.2	2030.6	1969.3
Capital Work in Progress	166.1	386.1	606.1	793.1	952.0
Investments	20.8	122.6	722.6	722.6	722.6
Inventories	413.0	639.9	1087.2	1302.5	1639.5
Sundry Debtors	932.7	1846.0	2756.1	3498.8	4413.6
Cash and Bank	103.0	154.5	296.2	194.0	328.2
Loans and Advances	305.0	782.9	1211.4	1877.7	2347.1
<b>Total Current Assets</b>	<b>1753.7</b>	<b>3423.3</b>	<b>5350.9</b>	<b>6872.9</b>	<b>8728.5</b>
Current Liabilities	418.6	900.7	1046.5	936.6	984.1
Provisions	43.1	85.8	147.0	132.4	120.2
Total Current Liabilities	461.7	986.6	1193.5	1069.0	1104.3
<b>Net Current Assets</b>	<b>1292.0</b>	<b>2436.7</b>	<b>4157.4</b>	<b>5803.9</b>	<b>7624.2</b>
Miscellaneous Expenses not written off	0.0	0.0	-316.8	-610.0	-954.3
Deferred Tax Assets / Liabilities	-27.2	-49.6	-77.1	-113.0	-148.6
<b>Total Assets</b>	<b>3321.3</b>	<b>4955.2</b>	<b>7148.3</b>	<b>8627.2</b>	<b>10165.3</b>

Source: Company, ACE Equity, KC Research

### Cash Flow Statement (₹ in Mn):

	FY10	FY11	FY12E	FY13E
<b>Cashflow from Operations</b>				
PBT	559.5	924.3	1085.1	1387.4
Less: Depreciation	202.1	236.9	236.8	252.0
Less: Increase in Misc Exp. (Not written off)	0.0	-316.8	-293.2	-344.3
interest Income on FD's,dividend,profit on sale of assets)	-26.5	-0.2	-0.3	-0.5
Add: Interest Expense	192.0	352.1	487.0	562.0
<b>Operating Profit befor workin capital changes</b>	<b>927.1</b>	<b>1196.2</b>	<b>1515.4</b>	<b>1856.6</b>
<b>Working Capital Changes</b>	<b>-1099.3</b>	<b>-1572.9</b>	<b>-1748.8</b>	<b>-1686.0</b>
<b>Cash Generated From operations</b>	<b>-172.2</b>	<b>-376.7</b>	<b>-233.4</b>	<b>170.6</b>
Tax Paid	-112.0	-200.0	-300.4	-422.6
<b>Net Cash flow from Operations</b>	<b>-284.2</b>	<b>-576.7</b>	<b>-533.8</b>	<b>-251.9</b>
<b>Net Cash flow from Investment Activities</b>	<b>-771.4</b>	<b>-1053.7</b>	<b>-398.1</b>	<b>-349.7</b>
<b>Net Cash Flow from Financing Activities</b>	<b>1107.4</b>	<b>1772.1</b>	<b>829.7</b>	<b>735.9</b>
<b>Increase/ (Decrease) in Cash &amp; Cash Equivalents</b>	<b>51.8</b>	<b>141.7</b>	<b>-102.2</b>	<b>134.3</b>
Opening Cash Balance	103.0	154.5	296.2	194.0
<b>Closing Cash Balance</b>	<b>154.8</b>	<b>296.2</b>	<b>194.0</b>	<b>328.2</b>

### Valuation Ratios:

Valuation Ratio	FY10	FY11E	FY12E	FY13E
Operating Margin (%)	17.9%	17.0%	16.0%	16.1%
Net Margin (%)	7.3%	8.1%	6.4%	6.2%
Debt/ Equity (x)	2.2	1.7	1.6	1.4
ROCE (%)	9.9%	11.9%	10.0%	10.3%
ROE (%)	25.2%	26.4%	22.6%	22.2%
EV/EBITDA (x)	5.9	5.3	4.8	4.1
EV/Sales (x)	1.1	0.9	0.8	0.7
P/E (x)	6.4	5.5	5.5	4.5
P/BV (x)	1.6	1.6	1.2	1.0
EPS (Rs)	28.3	44.7	45.4	55.5

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