

## Construction

## Supreme Infrastructure India Ltd

Buy

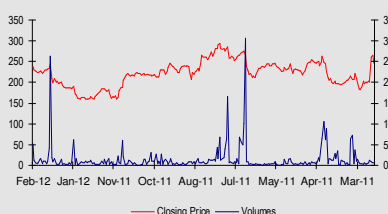
CMP Rs 244

Target Price Rs 310

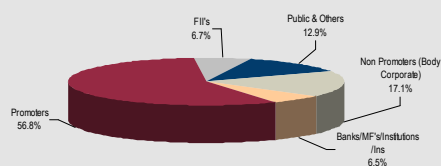
## Key Data

Face Value	Rs 10
Market Cap (Rs in mn)	4085
Total O/s Shares in (in mn)	16.74
Free Float	43.4%
52 Week High / Low	297/153
Avg. Monthly Volume (BSE)	24019
Avg. Monthly Volume (NSE)	37139
BSE Code	532904
NSE Code	SUPREMEINF
Bloomberg Code	SPII IN
Beta	1.1
Date of Incorporation	April 1983
Last Dividend Declared	15%
Six month return	-10.2%
Indices	BSE B
FCCB's outstanding	N.A.
Warrants outstanding	N.A.

## One Year Price Chart



Source: Capitaline

Share Holding Pattern (31<sup>st</sup> Dec 2011)

Source: Company, KJMC Research

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Supreme Infrastructure India Ltd (SIIL) reported better than expected Q3FY12 results. The company reported strong 70.6% yoy growth in Q3FY12 net revenue and 68% growth in adjusted PAT on strong execution in roads, building and power contracts. In the quarter, the company added Rs 6.3 bn of new orders resulting into total order book at Rs 37.72 bn. The OB includes Rs 4.21 bn of L1 orders. In the quarter the company announced addition of new BOT road projects; Sangli-Shiroli with Rs 2.73 bn of project cost and Patiala Malerkotla of Rs 930 mn project cost. Further, 3i India Infrastructure Fund recently invested USD 61 mn in SIIL's BOT road projects which would support SIIL in terms of meeting equity commitment in the BOT road assets.

## Key Highlights

**Robust Q3FY12 performance:** In Q3FY12, revenue grew by 70.6% yoy to Rs 4.09 bn which was above our expectation. The growth in revenue was driven by strong execution of road, building and power projects. In road segment strong execution witnessed in Manor Wada project, Japur Ring road project and Dorha-Ludhiyana contract. The EBITDA margin for the quarter stood at 16.7% which declined by 41.4 bps on yoy basis. The adjusted PAT for the quarter grew by 68% on yoy to Rs 250.2 mn. The interest cost grew by 144.7% on yoy and 24.7% on qoq to Rs 252.7 mn. The reported PAT grew at lower rate of 32% on yoy on account of a high base led by Rs 40.7 mn of exceptional items in Q3FY11.

**Order Book remained robust at Rs 37.7 bn:** In the quarter SIIL added Rs 6.3 bn of new orders resulting into total order book at Rs 37.72 bn. This includes Rs 4.2 bn of L1 orders. The order book includes 47.8% of the orders from its own BOT road projects and 52.2% of non BOT projects from buildings, power, roads, etc. In the quarter, the company announced addition of new BOT road project Sangli-Shiroli in Maharashtra with Rs 2.73 bn of project cost and Patiala Malerkotla of Rs 930 mn project cost.

**BOT projects got Private equity funding booster:** SIIL needs over Rs 5 bn of equity infusion in the road BOT road projects which includes major projects like NKT, Manor Wada Bhiwandi, Jaipur ring Road and Panvel Indapur project. Hence USD 61 mn investment by 3i India Infrastructure Fund would be a major booster for SIIL to complete the projects in time.

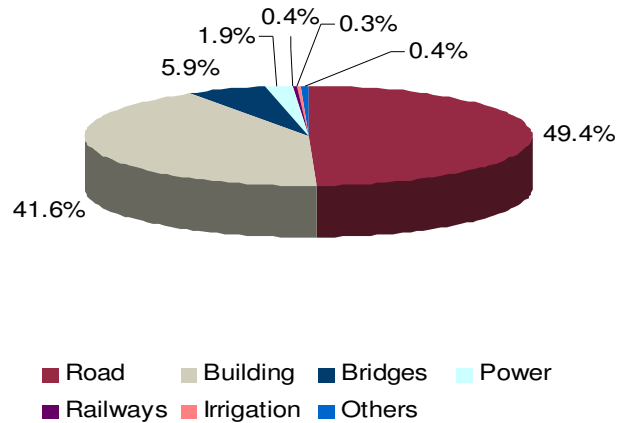
## Financial Snapshot (Standalone)

(Rs in mn)

Particulars	FY09	FY10	FY11	FY12E	FY13E
Net Revenue	3,822	5,333	9,179	14,070	16,235
EBITDA	651	947	1,559	2,390	2,726
EBITDA Margin %	17.0	17.8	17.0	17.0	16.8
APAT	270	392	760	864	1012
AEPS	19.5	28.3	45.4	51.6	60.4
P/E	12.5	8.6	5.4	4.7	4.0
EV/EBITDA	8.1	6.6	5.3	4.1	3.9

Source: Company, KJMC Research

### Breakup of Q3FY12 order book



Source: Company

### Q3FY12 Results Table

(Rs Mn)

Particulars	Q3FY12	Q3FY11	YoY Growth%	9MFY12	9MFY11	YoY Growth%
<b>Net Sales</b>	<b>4098.9</b>	<b>2402.9</b>	<b>70.6</b>	<b>9982.6</b>	<b>5902.7</b>	<b>69.1</b>
<b>Expenditure</b>	<b>3413.5</b>	<b>1991.2</b>	<b>71.4</b>	<b>8278.4</b>	<b>4849.3</b>	<b>70.7</b>
Construction expenses	3237.9	1831.8	76.8	7774.1	4487.5	73.2
Employee Cost	89.3	93.9	-4.9	248.6	201.7	23.2
Other Expenditure	86.3	65.5	31.8	255.6	160.1	59.7
<b>EBITDA</b>	<b>685.4</b>	<b>411.8</b>	<b>66.5</b>	<b>1704.2</b>	<b>1053.4</b>	<b>61.8</b>
EBITDAM%	16.7	17.1	-41.4	17.1	17.8	-77.4
Other Income	7.0	2.1	235.6	14.6	4.7	207.9
PBIDT	692.4	413.8	67.3	1718.8	1058.2	62.4
Depreciation	86.7	54.7	58.5	206.9	156.0	32.6
Interest	252.7	103.4	144.3	613.9	270.3	127.1
PBT	352.9	255.7	38.0	898.0	631.9	42.1
Tax	102.7	106.8	-3.8	242.5	201.8	20.2
<b>Adjusted PAT</b>	<b>250.2</b>	<b>148.9</b>	<b>68.0</b>	<b>655.6</b>	<b>430.1</b>	<b>52.4</b>
Adjusted PATM%	6.1	6.2	-9.2	6.6	7.3	-72.0
Extraordinary Items/ Exceptional items	0.0	40.7	-4068.6	0.0	40.7	-4068.6
<b>PAT (after Extra-ordinary/ Exceptional items)</b>	<b>250.2</b>	<b>189.6</b>	<b>32.0</b>	<b>655.6</b>	<b>470.8</b>	<b>39.2</b>
PATM%	6.1	7.9	-178.5	6.6	8.0	-17.7
Equity Capital	167.4	167.4	0.0	167.4	167.4	0.0
EPS	14.9	11.3	32.0	39.2	28.1	39.2

Source: Company, KJMC Research

### Outlook & Valuation

Based on strong execution witnessed in the past three quarter and robust current order book, we believe that SIIL would achieve a strong revenue growth in FY12E. We have upgraded our estimates based on strong execution in 9MFY12 and impressive order inflows. Based on FY12E and FY13E revised EPS of Rs 51.6 and Rs 60.4, the stock is trading at P/E of 4.7x and 4x respectively. We maintain our BUY recommendation and target price of Rs 310.

## Financial Summary (Standalone)

### Profit & Loss Statement

Y/E, Mar (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
<b>Net Revenue</b>	<b>3,822</b>	<b>5,333</b>	<b>9,179</b>	<b>14,070</b>	<b>16,235</b>
Growth %	144.6	39.5	72.1	53.3	15.4
<b>Total Expenses</b>	<b>3,172</b>	<b>4,386</b>	<b>7,619</b>	<b>11,680</b>	<b>13,509</b>
Growth %	<b>162</b>	<b>38</b>	<b>74</b>	<b>53</b>	<b>16</b>
<b>EBITDA</b>	<b>651</b>	<b>947</b>	<b>1,559</b>	<b>2,390</b>	<b>2,726</b>
Growth %	<b>84</b>	<b>45</b>	<b>65</b>	<b>53</b>	<b>14</b>
EBITDAM %	17.0	17.8	17.0	17.0	16.8
Other Income	12	35	55	15	15
Interest	171	220	408	877	971
Depreciation	131	202	246	294	324
PBT	361	560	960	1,234	1,445
Tax	91	168	201	370	434
<b>Reported PAT</b>	<b>270</b>	<b>392</b>	<b>760</b>	<b>864</b>	<b>1,012</b>
Growth %	40.7	45.2	93.8	13.7	17.1
Net Margin%	7.1	7.4	8.3	6.1	6.2

### Balance Sheet

Y/E, Mar (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
Equity Share Capital	139	139	167	167	167
Reserves	1,016	1,384	2,401	3,235	4,217
<b>Networth</b>	<b>1,155</b>	<b>1,523</b>	<b>2,568</b>	<b>3,402</b>	<b>4,385</b>
<b>Total Share Holders' Fund</b>	<b>1,155</b>	<b>1,553</b>	<b>2,818</b>	<b>3,652</b>	<b>4,635</b>
Secured Loans	1,752	2,852	4,470	5,970	6,770
Unsecured Loans	242	152	78	78	78
<b>Loan Funds</b>	<b>1,994</b>	<b>3,004</b>	<b>4,549</b>	<b>6,049</b>	<b>6,849</b>
<b>Total Liabilities</b>	<b>3,149</b>	<b>4,557</b>	<b>7,366</b>	<b>9,701</b>	<b>11,483</b>
Gross Block	2,125	2,515	3,268	3,668	4,068
Less: Accumulated Depreciation	255	455	690	984	1,308
<b>Net Block</b>	<b>1,870</b>	<b>2,060</b>	<b>2,578</b>	<b>2,684</b>	<b>2,760</b>
Capital Work In Progress	166	386	74	74	74
<b>Investments</b>	<b>21</b>	<b>123</b>	<b>702</b>	<b>1,900</b>	<b>3,100</b>
<b>Current Assets</b>	<b>1,754</b>	<b>3,423</b>	<b>6,381</b>	<b>8,206</b>	<b>9,163</b>
Inventories	256	240	476	793	1,176
Debtors	933	1,846	2,826	4,159	4,576
Cash & Bank	103	155	335	244	301
Loans & Advances	462	1,183	2,745	3,010	3,110
<b>Current Liabilities &amp; Prov</b>	<b>634</b>	<b>1,385</b>	<b>2,281</b>	<b>3,075</b>	<b>3,526</b>
<b>Net Current Assets</b>	<b>1,120</b>	<b>2,038</b>	<b>4,100</b>	<b>5,131</b>	<b>5,638</b>
Net Deferred Tax	-27	-50	-88	-88	-88
<b>Total Assets</b>	<b>3,149</b>	<b>4,557</b>	<b>7,366</b>	<b>9,701</b>	<b>11,483</b>

### Cash Flow Statement

Y/E, Mar (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
<b>Pre-Tax Profit</b>	<b>361</b>	<b>560</b>	<b>960</b>	<b>1,234</b>	<b>1,445</b>
Depreciation & Non Cash	149	202	246	294	324
Interest & others	129	165	329	877	971
Chg in Working Cap	-741	-1,101	-2,347	-1,122	-450
Tax Paid	-68	-112	-59	-370	-434
<b>Operating Cash Flows</b>	<b>-170</b>	<b>-286</b>	<b>-871</b>	<b>914</b>	<b>1,857</b>
Capex	-1,048	-678	-411	-400	-400
<b>Free Cash Flows</b>	<b>-1,218</b>	<b>-964</b>	<b>-1,282</b>	<b>514</b>	<b>1,457</b>
Investments	4	-93	-571	-1,198	-1,200
Equity Capital	0	30	285	0	0
Loans	1,367	1,291	1,981	1,500	800
Dividend	-133	-192	-25	-29	-29
Interest & Others	-24	-20	-107	-877	-971
<b>Net Change in Cash</b>	<b>-4</b>	<b>52</b>	<b>180</b>	<b>-91</b>	<b>57</b>
<b>Opening Cash Position</b>	<b>107</b>	<b>103</b>	<b>155</b>	<b>335</b>	<b>244</b>
<b>Closing Cash Position</b>	<b>103</b>	<b>155</b>	<b>335</b>	<b>244</b>	<b>301</b>

### Ratios

Y/E, Mar (Rs. mn)	FY09	FY10	FY11	FY12E	FY13E
<b>Profitability&gt;Returns %</b>					
EBITDA Mgn	17.0	17.8	17.0	17.0	16.8
PAT Mgn	7.1	7.4	8.3	6.1	6.2
ROCE	21.3	19.3	22.0	24.6	22.7
ROE	25.8	29.3	37.1	28.9	26.0
<b>Per Share Data (Rs/share)</b>					
EPS	19.5	28.3	45.4	51.6	60.4
CEPS	23.9	35.5	60.1	69.1	79.8
BVPS	69.0	91.0	153.4	203.2	261.9
DVPS	1.2	1.5	1.5	1.5	1.5
<b>Valuations (X)</b>					
PER	12.5	8.6	5.4	4.7	4.0
CPER	10.2	6.9	4.1	3.5	3.1
P/BV	3.5	2.7	1.6	1.2	0.9
EV/Sales	1.4	1.2	0.9	0.7	0.7
EV/EBITDA	8.1	6.6	5.3	4.1	3.9
Dividend Yield %	0.5	0.6	0.6	0.6	0.6
<b>Turnover (X Days)</b>					
Debtor Days	65.6	95.1	92.9	107.9	102.9
Inventory Days	25.8	20.6	17.1	19.8	26.6
Current Liability Days	56.0	78.6	81.0	77.5	83.8
Net Working Cap Days	82.6	108.1	122.1	119.7	121.1
<b>Gearing Ratio (X)</b>					
Net Debt/Equity	1.6	1.8	1.3	1.1	0.8
Total Debt/Equity	1.7	1.9	1.6	1.7	1.5

Source: Company, KJMC Research

<b>Mr. Girish Jain</b>	Executive Director	jaingirish@kjmc.com	2288 5201 (B)
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#### Recommendation Parameters

Expected returns in absolute terms over a one-year period

<b>Buy</b>	- appreciate more than 20% over a 12- month period
<b>Accumulate</b>	- appreciate 10% to 20% over a 12- month period
<b>Hold / Neutral</b>	- appreciate up to 10% over a 12- month period
<b>Reduce</b>	- depreciate up to 10% over a 12- month period
<b>Sell</b>	- depreciate more than 10% over a 12- month period

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Daily Performance Report for Liquid & Liquid Plus Funds	Report containing daily, weekly, monthly, half yearly & yearly performance of only Liquid & Liquid Plus plans along with ranking of each fund for Corporates & Institutions.	Mon-Fri
Daily Performance Report for all Debt & Equity Funds	Report containing daily, weekly, monthly, half yearly & yearly performance along with ranking of each fund.	Mon-Fri
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Data Sources: Capitaline, Companies, Bloomberg, Various Websites & publication available on Public domain.

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<b>MCX-SX Currency</b>	:	INE260719932
<b>MCX-Commodity*</b>	:	MCX/TM/CORP/1772
<b>Mutual Fund's AMFI No.</b>	:	ARN - 2386

\* Under KJMC Commodities Market India Ltd

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