

30 May 2012

## Ramky Infrastructure

*Growth momentum intact; sound balance sheet; Buy*

Rating: **Buy**

Target Price: ₹353

Share Price: ₹107

In line with our estimates, Ramky's 4Q12 revenue grew 17% yoy. The margin, however, was slightly lower due to input cost pressures. The order book rose 25% yoy, to ₹137bn. Management clarified that land developed in Ramky Pharma City was in keeping with the concession agreement with the state, and it has not conducted any transaction with Jagathi Publications. We have a Buy on the stock, with a target of ₹353.

- Revenue in line, margin slips.** Ramky's 4QFY12 revenue grew 17% yoy (13% growth for FY12), in line with our estimates. OPM was slightly lower than estimated due to input costs. The FY12 margin, however, was a good 10.4%. Ramky made provision, directly from reserves, for ₹660m of prior-period taxes in regard to Sec.80 IA. Consolidated revenue/profit for FY12 grew 22%/12%.
- Clarification on Jagan Reddy-CBI case.** With regard to media reports linking the company with Jagan Reddy's disproportionate assets, Ramky clarified that it has not received a summons from the CBI. Land acquired and developed (incl. the green belt) in Ramky Pharma City was in line with the concession agreement signed with the state. Also, it has not conducted any transaction with Jagathi Publications, directly or indirectly.
- Concall highlights.** In FY12, Ramky bagged orders of ₹58bn, swelling the order book to ₹137bn (4.4x FY12 revenue), up 25% yoy. The order book covers Roads (40%), Water (17%), Buildings (16%), Power (5%), Irrigation (12%) and Industrials (7%). Equity required for the BOT projects is ₹7.5bn, to be funded through internal accruals and cashflows from operating projects. Financial closure for the two road projects, Agra-Etawah and Hospet-Chtradurg, is likely to be complete by mid-Jun. At 0.85x, the company standalone leverage has been stable.
- Valuation.** Our sum-of-parts-based target of ₹353 is based on 9x FY13e PE for the core business (₹293), in line with other midcap target multiples, and 1x Dec'11 P/BV of investment (₹60). **Risk:** Dip in OPM.

Key data	RMKY IN / RAMK.BO
52-week high / low	₹330 / ₹109
Sensex / Nifty	16312 / 4951
3-m average volume	US\$0.2m
Market cap	₹6.1bn / US\$136m
Shares outstanding	57.2m

Shareholding pattern (%)	Mar '12	Dec '11	Sep '11
Promoters	66.9	66.9	66.9
- of which, Pledged	7.9	7.9	7.9
Free float	33.1	33.1	33.1
- Foreign Institutions	2.1	3.3	3.3
- Domestic Institutions	7.2	7.1	7.1
- Public	23.8	22.7	22.7

Financials (YE Mar)	FY13e	FY14e
Sales (₹m)	37,354	44,824
Net profit (₹m)	1,864	2,234
EPS (₹)	32.6	39.0
Growth (%)	29.7	19.8
PE core (x)	1.5	1.3
P/B (x)	0.5	0.5
RoE (%)	17.2	17.8
RoCE (%)	18.2	17.9
Dividend yield (%)	4.0	4.4
Net gearing (%)	91	97

Source: Anand Rathi Research

Quarterly results (YE Mar)	4QFY11	4QFY12	% yoy	FY11	FY12	% yoy
Sales (₹m)	10,113	11,799	16.7	27,305	30,943	13.3
EBITDA (₹m)	1,134	1,121	(1.1)	2,864	3,227	12.7
EBITDA margin (%)	11.2	9.5	(171)bps	10.5	10.4	(6)bps
Interest (₹m)	241	412	70.8	689	1,177	70.9
Depreciation (₹m)	77	75	(3.5)	193	291	51.0
Other income(₹m)	54	189	251.3	139	375	168.8
PBT (₹m)	869	824	(5.2)	2,122	2,134	0.6
Tax (₹m)	244	284	16.1	548	697	27.2
Tax rate (%)	28.1	34.4	634bps	25.8	32.7	684bps
Adj. PAT (₹m)	625	540	(13.6)	1,574	1,437	(8.7)

Source: Company

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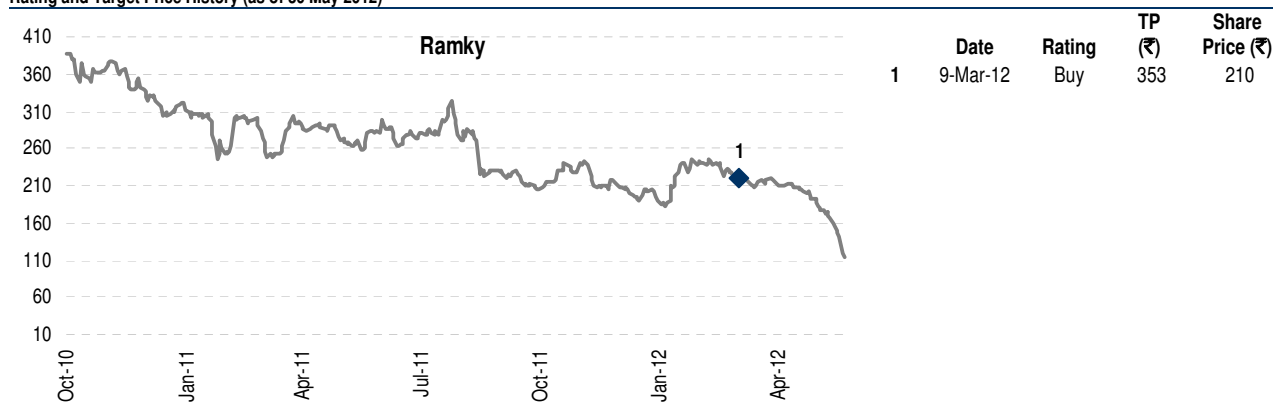
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## Appendix 1

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