

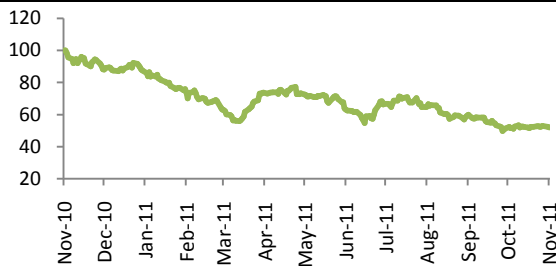
Q2FY12 Update
TECPRO SYSTEMS LTD.

Recommendation	BUY
CMP (16/11/2011)	Rs 204
Target Price	Rs.284
Sector	Engineering

Stock Details

BSE Code	533266
NSE Code	TECPRO
Bloomberg Code	TPRO
Market Cap (Rs. crs)	1294
Free Float (%)	30
52- wk HI/Lo	435/207
Avg. volume (monthly)	1528
Face Value (Rs.)	10
Dividend (FY11) (%)	30%
Shares o/s (Nos. in cr)	5.04

Relative Performance	1 Mth	3 Mth	1 Yr
Tecpro	-1%	-20%	-48%
Sensex	5%	3%	-17%


Shareholding Pattern (%) as on 30/09/2011

Promoters Holding	52.60
Institutions	21.75
Corporate	2.17
Public & others	23.48

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On Track, Awaiting more Orders!

Tecpro Systems delivered soaring results in the second quarter FY12, in line with our expectations. Revenues and Profits moved up by more than 50% YoY. EBIDTA margins too improved by 120 bps YoY.

Key Highlights

- The company's revenues grew by 51% YoY and 30% QoQ at Rs.452.14 crore in Q2FY12. Revenue growth was contributed by both Material Handling and BOP segment.
- Total expenditure for the quarter stood at Rs.402crore as compared to Rs. 270crore in corresponding quarter last year, up by 49%.
- EBIDTA margins reported were 11.3%, an improvement of 30bps YOY, resulting from good sales growth and improved operational efficiency.
- Profits stood at Rs.8crore, a rise of 56% YoY, 64% QoQ on the back of good topline growth.
- Current Order book position stands at Rs.4437 crore, a rise of 9% QoQ. Some of the prominent orders the company bagged during the quarter were from BHEL (Rs.521 crore) and Ultratech Cement (Rs.80 crore).
- The company has orders worth Rs.1100 crore in L1 stage in raw material and ash handling segment.
- Material handling segment contributed 52.6%, Ash Handling 7.1% and BOP contributed 40.3% of the order book.
- The company has completed the acquisition of Ambica Projects that operates in waste water recovery, BOP space.

Recommendation and Valuation

Over the past few years, the company has grown at a phenomenal pace along with entry into the booming BOP-EPC space. A healthy order book minimizes the risk of any delay or cancellation of projects. Management seems to be confident on achieving a growth of 35-40% in top-line and 35% growth in order intake for the year. However, we have trimmed down our revenue and profit numbers for FY12E on the back of uncertainty of orders intake for the year. At CMP, the stock is trading 6.5x and 5.2x its FY12E and FY13E earnings respectively. We reiterate BUY rating on the stock with a price target of Rs.284 having an upside potential of 39%.

Year	Net Sales	Growth	EBIDTA	Margin (%)	Adj PAT	Margin (%)	EPS	P/E	P/BV
FY10A	1454.9	106.0%	197.7	13.5%	108.95	7.4%	25.22	8.1	2.6
FY11 A	1968.4	34.9%	300.0	15.2%	136.3	6.9%	28.9	7.1	1.5
FY12E	2657.4	34.8%	381.0	14.3%	159.2	6.0%	31.5	6.5	1.3
FY13E	3321.7	24.9%	465.0	14.0%	197.9	6.0%	39.2	5.2	1.0

Performance Analysis

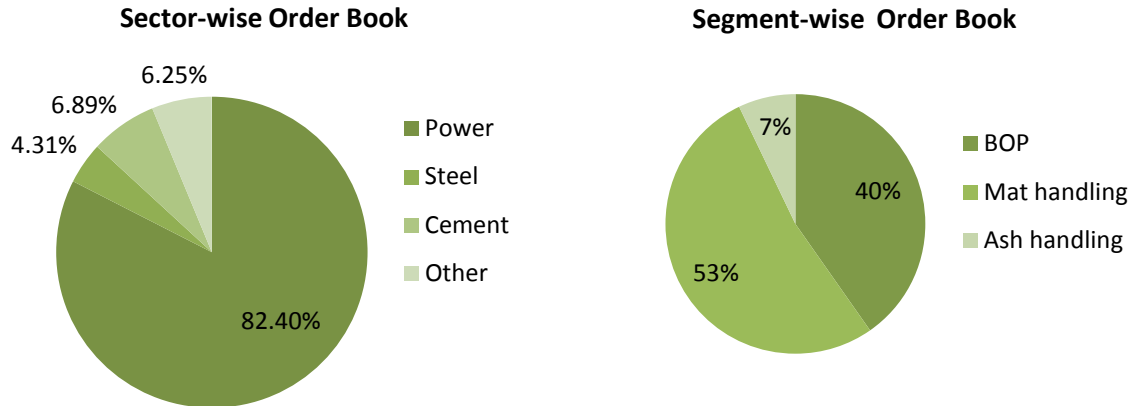
- EBIDTA margins grew by 140 bps YoY on the back of lower material costs. However on a QoQ basis the margins were lower by 40 bps due to higher contract costs.
- Interest costs continue to remain a concern due to higher debt component of more than Rs. 1071 crores as in Q2FY12 as against Rs.747 crores in FY11.

Q2FY12 Result Analysis (in Rs Crs.)

	Q2FY12	Q1FY12	Q-o-Q	Q2FY11	Y-o-Y
Income From Operation	452.17	348.46	29.76%	297.81	52%
Other Operating Income	1.0	1.3	-25%	2.3	(57.5%)
Total revenue	453.1	349.8	29.56%	300.1	51%
Total Expenditure	402.0	309.1	30.03%	270.3	49%
(Inc)/dec in stock intrade	(34.5)	(39.5)	(12.5%)	(48.3)	-29%
Raw materials consumed & Supplied to fabricat	32.7	38.9	(16.1%)	58.1	(43.8%)
Purchased of Trade Goods	40.9	35.7	14.53%	63.0	(35.1%)
Contract Cost	275.9	191.8	43.81%	0.0	-
Supplied to fabrication	0.3	1.0	(69.6%)	0.0	-
Other Direct cost	18.5	25.4	(27.3%)	0.0	-
Emp. Cost	27.5	28.3	(2.7%)	20.9	32%
Other Exp.	40.0	26.7	49.91%	176.2	(77.3%)
EBIDTA	51.1	40.6	25.97%	29.8	72%
<i>EBIDTA Margin (%)</i>	<i>11.3%</i>	<i>11.7%</i>	<i>-</i>	<i>10.0%</i>	<i>-</i>
Other Income	3.8	2.4	58.65%	1.9	95.83%
Dep	3.0	2.7	12%	2.5	19%
EBIT	51.9	40.3	28.82%	29.2	78%
Int Cost.	40.0	33.0	21%	21.7	84%
PBT	11.9	7.3	64.17%	7.5	59%
Tax	4.1	2.6	57%	2.8	47%
PAT	7.8	4.6	68.16%	4.7	66%
<i>Margin (%)</i>	<i>1.7%</i>	<i>1.3%</i>		<i>1.6%</i>	<i>-</i>
EPS	1.7	1.1	58.88%	1.2	45%

Source: Company data, Nirmal Bang Securities

Order book



Source: Nirmal Bang Research

Order Intake during the quarter was at Rs.666crore, mainly led by steel sector, taking the total amount of order backlog to Rs. 4437 crs. The order book predominantly comprise of power sector which constitutes as much as 82.40% of the order book. Steel contributing 4.31%, cement 6.89% and other sector contributed 6.25%. Segement wise Materral handling contributed 53%, BOP 40% and Ash handling contributed 7% of the order book.

- As per the Management, all the projects are being executed smoothly and are running as per schedule.
- The company bagged orders worth Rs.666crore in the second quarter FY2012 and the company is expecting an order inflow growth of 30 – 35% for the year.
- Out of the total orders won in the quarter, Rs 521crore order was awarded by BHEL, wherein the final client is NMDC. Noteably, this is one was the biggest raw materal handling order ever won by the company. Rs. 80crore order came in from Ultratech Cement.
- Further, the comany has orders worth Rs.1100 crore in L1 stage in raw metrial and ash handling segment.
- In addition, in the month of October 2011 the company has won order worth Rs. 405crore awarded by NTPC for its Pakri Barwadhi site. Noteably, earlier order worth Rs200 crore is already under execution for the same site.

Recommendation and Valuation

Over the past few years, the company has grown at a phenomenal pace along with entry into the booming BOP-EPC space. A healthy order book minimizes the risk of any delay or cancellation of projects. Management seems to be confident on achieving a growth of 35-40% in top-line and 35% growth in order intake for the year. However, we have trimmed down our revenue and profit numbers for FY12E on the back of uncertainty of orders intake for the year.

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Rs. In Crores

	Earlier Revenues	Current Revenues	Earlier PAT	Current PAT
Revenues / PAT	2,754.20	2,659.64	162.40	159.08
Variation %	-3.6%		-2.1%	

Q2FY12 Update
Tecpro Systems Ltd.
Financials

P&L (Rs. In Cr)	FY10A	FY11A	FY12E	FY13E
Y/E - March				
Revenues - Net	1454.9	1968.4	2657.4	3321.7
% change	106.0%	34.9%	34.8%	24.9%
EBITDA	197.7	300.0	381.0	465.0
Margin (%)	13.5%	15.2%	14.3%	14.0%
Interest	35.6	92.6	138.8	162.4
EBDT	162.1	207.4	242.2	302.6
Depreciation	7.3	10.3	10.2	11.0
Other Income	12.9	12.9	12.9	12.9
PBT	167.6	210.0	244.9	304.5
Tax	58.7	73.8	85.7	106.6
PAT	108.9	136.3	159.2	197.9
No of Shares	2.8	4.4	5.0	5.0
Adj Diluted EPS	25.2	28.9	31.5	39.2
Cash EPS	26.3	29.0	33.6	41.4
DPS	5.0	3.0	3.0	3.0

Qtrly Results	Dec-10	Mar-11	Jun-11	Sep-11
Revenue	461.1	960.9	348.5	452.2
EBITDA	50.9	198.5	40.6	51.1
Interest	21.1	32.1	33.0	40.0
EBDT	29.7	166.4	7.6	11.1
Dep	2.8	2.5	2.7	3.0
Other Inc.	2.9	4.9	2.4	3.8
PBT	29.8	168.8	7.3	11.9
Tax	10.6	59.7	2.6	4.1
Adj PAT	19.2	109.1	4.6	7.8
Adj Diluted EPS (Rs.)	3.8	21.6	1.1	1.7

Operational Ratio	FY10A	FY11A	FY12E	FY13E
EBITDA margin (%)	13.5%	15.2%	14.3%	14.0%
Adj PAT margin (%)	7.4%	6.9%	6.0%	6.0%
Adj EPS Growth (%)	36.0%	14.4%	9.3%	24.4%
Price Earnings (x)	8.2	7.1	6.5	5.2
Book Value (Rs.)	79.6	134.4	162.4	198.1
ROE (%)	30.9%	20.1%	19.4%	19.8%
ROCE (%)	15.7%	8.2%	5.8%	6.0%
Debt Equity Ratio	1.4	1.1	1.2	1.4
Price / Book Value (x)	2.58	1.53	1.27	1.04
EV / Sales	1.0	0.9	0.8	0.7
EV / EBITDA	7.1	5.9	5.4	5.2

Financial Health (Rs. In Cr)	FY10A	FY11A	FY12E	FY13E
Y / E - March				
Share Capital	44.22	50.47	50.47	50.47
Reserves & Surplus	308.0	627.9	769.2	949.2
Net Worth	352.2	678.3	819.6	999.7
Total Loans	486.8	746.9	1002.9	1371.1
Minority Interest	0.0	0.0	0.0	0.0
Deferred Tax Liabilities	0.0	0.0	0.0	0.0
Total Liabilities	838.9	1425.2	1822.5	2370.8
Net Fixed Assets	131.8	161.2	172.6	191.6
Investments	9.4	37.0	48.9	56.1
Deferred Tax Assets	1.2	2.6	2.6	1.9
Current Assets				
Inventories	106.1	139.9	188.2	235.3
Debtors	917.6	1407.3	1895.6	2369.5
Cash & Bank	182.0	299.2	262.4	365.4
Loans & Adv	74.1	136.3	155.2	178.3
other current assets	198.5	357.1	401.3	501.6
Current Assets	1478.3	2339.8	2902.7	3650.0
Current Liabilities	737.3	1062.4	1237.6	1448.7
Provisions	44.4	52.9	66.7	80.0
Current liabilities & Provisions	781.8	1115.3	1304.2	1528.7
Working Capital	696.6	1224.5	1598.5	2121.3
Total Assets	839.0	1425.2	1822.5	2370.8

Cash Flow (Rs. In Cr)	FY10A	FY11A	FY12E	FY13E
Operating				
Operating Income	197.71	299.98	380.98	465.01
Change in WC	-453.72	-410.76	-410.76	-419.83
CF from Operations	(256.01)	(110.79)	(29.78)	45.18
Investment				
Capex	-148.96	-38.56	-21.63	-30
Other Investment	13.39	-27.55	-11.9	-7.2
Total Investment	-135.57	-66.11	-33.53	-37.2
Financing				
Dividend Paid	-11.01	-11.01	-12.41	-12.42
Borrowing	300.39	260.10	256.02	368.21
Other Income	12.87	12.91	12.87	12.89
Interest	-35.61	-92.57	-138.78	-162.37
Tax Paid	-58.7	-73.79	-85.70	-106.57
Total Financing	306.58	302.03	32.00	99.74
Other Adjustments	(171.51)	7.98	5.47	4.74
Net Chg. in Cash	86.508	117.15	-36.79	102.98
Cash at beginning	95.5	182.01	299.16	262.37
Cash at end	182.01	299.16	262.37	365.35

Source: Company, NB Research

NOTE

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