

Era Infra Engineering Ltd

Q3FY12 first cut: Earnings 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) Q3FY12 results were in line with CRISIL Research's expectations. Revenues were in line with our expectations aided by strong growth in the trading business. EBITDA margin was above our expectations with the contracting business reporting higher margins; however, earnings were in line on higher interest and depreciation costs. We maintain the fundamental grade of **4/5**.

Q3FY12 result analysis

- Revenues grew 12.4% y-o-y (up 27.9% q-o-q) to Rs 11,409 mn driven by execution of the current order book and healthy contribution of ~17% from the trading segment (trading contributed 4% in Q3FY11). The contracting segment's revenues declined 2% y-o-y (up 18% q-o-q) to Rs 9,135 mn. The trading segment's revenues grew from Rs 370 mn in Q3FY11 to Rs 1,961 mn in the current quarter, which came as a positive surprise.
- EBITDA margin improved by 20 bps y-o-y (declined 310 bps q-o-q) due to increase in margins in the contracting segment. EBIT margins for the contracting business improved 450 bps y-o-y and 180 bps q-o-q to 16.9%, which was a positive surprise. Trading business' EBIT margin declined ~110 bps y-o-y and q-o-q to 1.8%.
- Increase in interest cost and decline in other income led to PAT declining 24% y-o-y (adjusted for forex loss of Rs 100 mn) to Rs 442 mn. PAT margin declined ~190 bps y-o-y and q-o-q to 3.9%. EPS was Rs 2.4 vs. Rs 3.2 in Q3FY11.

Key developments

- During the quarter, the 74:26 JV between Era and OJSC-Sibmost bagged an order worth Rs 10.3 bn from the National Highway Authority of India (NHAI) for construction of a four lane road between Rampur (Uttar Pradesh) – Kathgodam (Uttarakhand) under BOT (Toll) basis. The company is yet to achieve financial closure for the said project. Post discussion with the management, we will provide further clarity on the same.
- On January 25, 2012, Era has redeemed outstanding FCCBs with maturity value of US\$59.7 mn. This was financed through external commercial borrowings (ECB).

Valuations: Current market price has upside

We continue to value Era based on the sum-of-the-parts method and maintain a fair value of Rs 170 per share. Given the current market price, this translates to a 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	0.3	0.3
RoCE (%)	15.6	18.0	14.4	11.9	10.3
RoE (%)	18.2	20.4	13.8	10.5	9.3
PE (x)	15.2	10.3	11.3	12.7	12.8
P/BV (x)	2.2	1.7	1.4	1.2	1.1
EV/EBITDA (x)	8.2	6.8	7.1	8.7	9.4

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

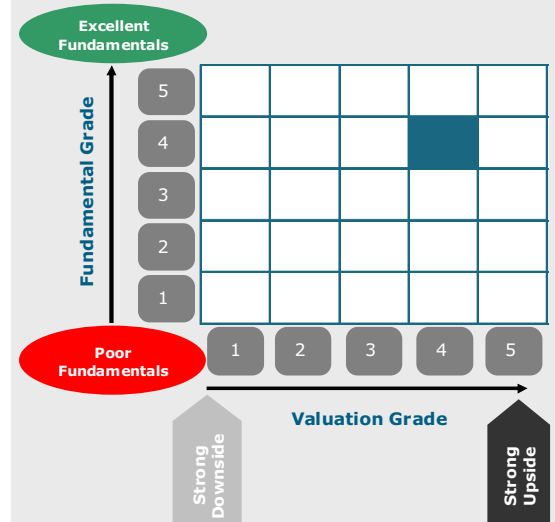


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Fair Value Rs 170

CMP Rs 137

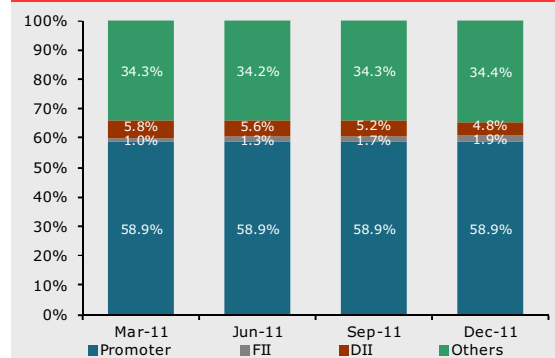
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5416/17849
NSE / BSE ticker	ERAINFRA
Face value (Rs per share)	2
Shares outstanding (mn)	181.8
Market cap (Rs mn)/(US\$ mn)	24,901/505
Enterprise value (Rs mn)/(US\$ mn)	52,060/1,055
52-week range (Rs) (H/L)	195/133
Beta	0.3
Free float (%)	41.1%
Avg daily volumes (30-days)	415,574
Avg daily value (30-days) (Rs mn)	56.7

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
ERA	2%	-10%	-15%	-29%
NIFTY	11%	5%	7%	-1%

ANALYTICAL CONTACT

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