

Era Infra Engineering Ltd

Results in line; building its order book

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 registered healthy y-o-y growth aided by growth in the trading business. EBITDA margin was above our expectations supported by higher margins in the contracting business; however, earnings were in line on higher interest and depreciation costs. We maintain our earnings estimates and the fundamental grade of **4/5**, given Era's diversified presence across sectors and strong execution track record.

Q3FY12 result analysis (consolidated)

- Revenues grew 12.4% y-o-y (up 27.9% q-o-q) to Rs 11.4 bn. The contracting segment's revenues declined 2% y-o-y (up 18% q-o-q) to Rs 9.1 bn. The trading segment's revenues grew from Rs 370 mn in Q3FY11 to Rs 2.0 bn 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 higher 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. EPS was Rs 2.4 vs. Rs 3.2 in Q3FY11.

Key developments

- In Q3FY12, 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. Since Era is yet to sign the concession agreement and achieve financial closure, we have not considered the same in our valuations.
- Era redeemed FCCBs with maturity value of US\$59.7 mn in January 2012. This was financed through external commercial borrowings (ECB).
- Commercial operation date (CoD) for the three BOT projects scheduled for January-March 2012 is likely to be delayed by another six months.

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 (CONSOLIDATED)

(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)	2.3	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

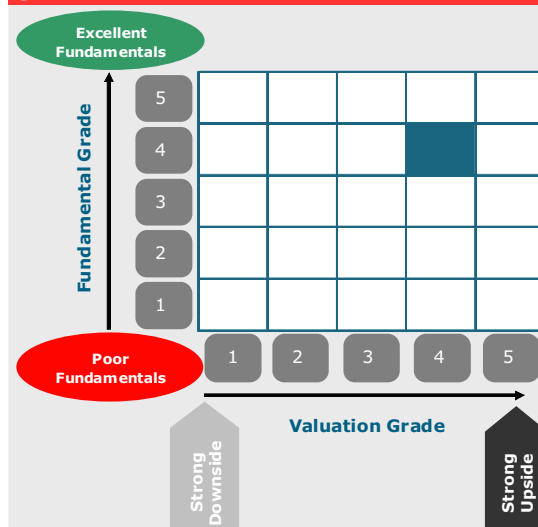


February 22, 2012

Fair Value Rs 170

CMP Rs 137

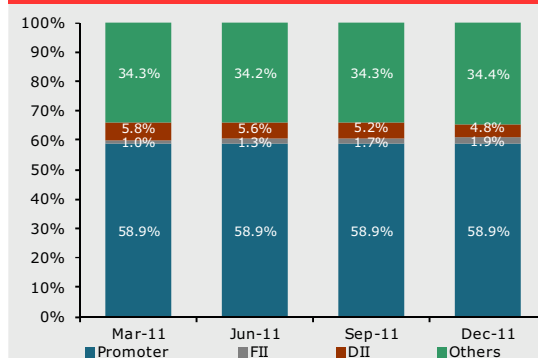
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5505/18145
NSE / BSE ticker	ERAINFRA
Face value (Rs per share)	2
Shares outstanding (mn)	181.8
Market cap (Rs mn)/(US\$ mn)	24,947/507
Enterprise value (Rs mn)/(US\$ mn)	52,105/1,058
52-week range (Rs) (H/L)	195/133
Beta	0.3
Free float (%)	41.1%
Avg daily volumes (30-days)	457,559
Avg daily value (30-days) (Rs mn)	62.7

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
ERA	1%	-8%	-13%	-28%
NIFTY	9%	14%	12%	1%

ANALYTICAL CONTACT

Chetan Majithia (Head) chetanmajithia@crsil.com

Ravi Dodhia rdodhia@crsil.com

Bhaskar Bukrediwala bsbukrediwala@crsil.com

Client servicing desk

+91 22 3342 3561

clientservicing@crsil.com