

Date: 23<sup>rd</sup> Nov, 2012

Analyst: **Suhani Patel**  
[suhani.patel@networthdirect.com](mailto:suhani.patel@networthdirect.com)  
Tel No.: 022 30641744

## Q2FY13 Operational Highlights

### Top-line increased by 19% yoy on account of strong execution

MBL reported 19% YoY growth in its top-line to Rs 1.78bn on account of some of the projects reaching revenue recognition threshold levels. Sequentially, top-line declined by 33% due to monsoon.

### Operating margin improved by 640bps

During the quarter, operating margin expanded by 640bps YoY to 19.9% against 13.5% in Q2FY12 on account of revenue booking from the projects which were in early stages of execution during the last quarter. Associated expenses for these projects were incurred during Q1FY13.

### Other highlights

The current order book stands at Rs 22bn which is 1.8 times its FY12 revenue. The company booked an order inflow of Rs 1.06bn in this quarter. The company has already participated for orders worth Rs 102.6bn, clarity on which is expected in coming quarters.

On the BOT front, construction work on the Seoni-Katangi BOT road project and the Waraseoni-Lalbarra BOT road project is on full swing. While the Bikaner-Suratgargh BOT road project is in the process of achieving financial closure. There has been no progress on land acquisition (~70% handed over by NHAI) of the Rimuli-Roxy-Rajamunda BOT project. However, management clarified that NHAI is considering a new tolling policy, where proportionate toll rate can be levied (toll income in proportion to land acquired for a given stretch of the project, provided construction work is completed across the entire road stretch handed over).

### Change in estimates

|           | Old estimates |         | New estimates |         |
|-----------|---------------|---------|---------------|---------|
|           | FY13E         | FY14E   | FY13E         | FY14E   |
| Sales     | 14879.8       | 17549.9 | 13871.0       | 16344.3 |
| Growth(%) | 18.9          | 17.9    | 10.8          | 17.8    |
| PAT       | 752.5         | 849.7   | 721.7         | 811.4   |
| OPM(%)    | 12.2          | 12.1    | 12.4          | 12.4    |
| NPM(%)    | 5.1           | 4.8     | 5.2           | 5.0     |

Source: Company, Networth Research

## Valuation

We maintain our Buy rating on the stock with a revised target price of Rs 213 (from Rs 204). We have valued the standalone business at 4x FY14E EPS and BOT assets using NPV methodology (BOT assets contribute Rs 27.9).

| Rating       | Buy    |
|--------------|--------|
| Target Price | Rs 213 |
| CMP          | Rs 170 |
| Upside       | 25%    |
| Sensex       | 18499  |

### Key Data

|                         |          |    |        |
|-------------------------|----------|----|--------|
| Bloomberg Code          | MBL      | IN | Equity |
| Reuters Code            | MBL.BO   |    |        |
| NSE Code                | MBLINFRA |    |        |
| Current Share o/s (mn)  | 18.0     |    |        |
| Diluted Share o/s (mn)  | 18.0     |    |        |
| Mkt Cap (Rs bn/\$mn)    | 3.0/54.2 |    |        |
| 52 WK H/L (Rs)          | 218/92.5 |    |        |
| Daily Vol. (3M NSE Avg) | 11118    |    |        |
| Face Value (Rs)         | 10       |    |        |
| Beta                    | 0.97     |    |        |
| 1 USD/Rs                | 55.4     |    |        |

| Shareholding Pattern | (%)  |
|----------------------|------|
| Promoters            | 57.3 |
| FII                  | 1.7  |
| Others               | 41.0 |

### Price Performance (%)

|       | 1M   | 6M  | 1yr  |
|-------|------|-----|------|
| MBL   | 6.2  | 4.2 | 55.3 |
| NIFTY | -1.5 | 3.5 | 19.1 |

Source: Bloomberg; \*As on 23rd Nov, 2012

## Financials

| Income Statement                                  | Q2FY13        | Q2FY12        | YoY (%)     | Q1FY13        | QoQ (%) | 1HFY13        | 1HFY12        | YoY (%) |
|---------------------------------------------------|---------------|---------------|-------------|---------------|---------|---------------|---------------|---------|
| Net Sales                                         | 1788.1        | 1504.1        | 19%         | 2681.5        | -33%    | 4469.6        | 4601.1        | -3%     |
| Other Operating Income                            | 0.0           | 0.0           |             | 0.0           |         | 0.0           | 0.0           |         |
| <b>Total Income</b>                               | <b>1788.1</b> | <b>1504.1</b> | 19%         | <b>2681.5</b> | -33%    | <b>4469.6</b> | <b>4601.1</b> | -3%     |
| Expenditure:                                      |               |               |             |               |         |               |               |         |
| (Inc)/dec in stock in trade                       | 0.0           | 0.0           |             | 0.0           |         | 0.0           | 0.0           |         |
| Cost of RM                                        | 1099.5        | 973.2         | 13%         | 1634.9        | -33%    | 2734.4        | 3154.7        | -13%    |
| Const. Exp                                        | 123.7         | 240.9         | -49%        | 490.9         | -75%    | 614.6         | 661.4         | -7%     |
| Employee's Cost                                   | 60.6          | 41.6          | 46%         | 50.2          | 21%     | 110.8         | 78.9          | 40%     |
| Other Expenses                                    | 147.6         | 44.6          | 231%        | 171.2         | -14%    | 318.8         | 92.4          | 245%    |
| <b>Expenditure</b>                                | <b>1431.4</b> | <b>1300.3</b> | 10%         | <b>2347.2</b> | -39%    | <b>3778.6</b> | <b>3987.4</b> | -5%     |
| <b>EBIDTA</b>                                     | <b>356.7</b>  | <b>203.8</b>  | 75%         | <b>334.3</b>  | 7%      | <b>691.0</b>  | <b>613.7</b>  | 13%     |
| <i>EBIDTA Margin (%)</i>                          | <i>19.9%</i>  | <i>13.5%</i>  | <i>6.4%</i> | <i>12.5%</i>  |         | <i>15.5%</i>  | <i>13.3%</i>  |         |
| Depreciation                                      | 19.8          | 17.8          | 11%         | 18.5          | 7%      | 38.3          | 34.9          | 10%     |
| <b>EBIT</b>                                       | <b>336.90</b> | <b>186.0</b>  | 81%         | <b>315.8</b>  | 7%      | <b>652.7</b>  | <b>578.8</b>  | 13%     |
| Interest Exp                                      | 129.5         | 94.7          | 37%         | 114.1         | 13%     | 243.6         | 184.7         | 32%     |
| Other Income                                      | 9.4           | 1.0           | 840%        | 2.5           | 276%    | 11.9          | 1.1           | 982%    |
| Foreign currency exchange fluctuation gain/(loss) | -34.7         | 0.0           |             | 0.0           |         | -34.7         | 0.0           |         |
| <b>PBT</b>                                        | <b>182.10</b> | <b>92.3</b>   | 97%         | <b>204.2</b>  | -11%    | <b>386.3</b>  | <b>395.2</b>  | -2%     |
| Tax                                               | 66.5          | 17.4          | 282%        | 64.3          | 3%      | 130.8         | 120.0         | 9%      |
| <b>PAT</b>                                        | <b>115.60</b> | <b>74.9</b>   | 54%         | <b>139.9</b>  | -17%    | <b>255.5</b>  | <b>275.2</b>  | -7%     |
| <i>PAT Margin (%)</i>                             | <i>6.5%</i>   | <i>5.0%</i>   |             | <i>5.2%</i>   |         | <i>5.7%</i>   | <i>6.0%</i>   |         |

## Financials

### Income Statement

|                 | (Rs mn)     |             |             |             |
|-----------------|-------------|-------------|-------------|-------------|
| Y/E March       | FY11        | FY12        | FY13E       | FY14E       |
| Net Revenues    | 9915.3      | 12514.2     | 13871.0     | 16344.3     |
| <i>Growth %</i> | <i>57.7</i> | <i>26.2</i> | <i>10.8</i> | <i>17.8</i> |
| COGS            | 8385.7      | 10664.7     | 11820.9     | 13928.7     |
| Gross Profit    | 1529.5      | 1849.5      | 2050.1      | 2415.6      |
| <i>Growth %</i> | <i>50.8</i> | <i>20.9</i> | <i>10.8</i> | <i>17.8</i> |
| SG&A Expenses   | 254.1       | 292.6       | 325.7       | 392.0       |
| Core EBITDA     | 1275.5      | 1556.9      | 1724.3      | 2023.6      |
| <i>Growth %</i> | <i>52.6</i> | <i>22.1</i> | <i>10.8</i> | <i>17.4</i> |
| Other Income    | 5.3         | 17.9        | 17.9        | 17.9        |
| EBITDA          | 1280.7      | 1574.8      | 1742.2      | 2041.5      |
| Depreciation    | 63.1        | 78.8        | 102.7       | 141.1       |
| EBIT            | 1217.6      | 1496.0      | 1639.5      | 1900.4      |
| <i>Growth %</i> | <i>52.4</i> | <i>22.9</i> | <i>9.6</i>  | <i>15.9</i> |
| Interest Exp    | 318.3       | 460.3       | 584.3       | 714.0       |
| EBT             | 899.3       | 1035.7      | 1055.1      | 1186.4      |
| Tax             | 288.2       | 327.3       | 333.5       | 374.9       |
| PAT             | 611.2       | 708.4       | 721.7       | 811.4       |
| Adj.            | 7.9         | 0.0         | 0.0         | 0.0         |
| Adj. PAT        | 603.2       | 708.4       | 721.7       | 811.4       |
| <i>Growth %</i> | <i>76.6</i> | <i>17.4</i> | <i>1.9</i>  | <i>12.4</i> |

### Balance Sheet

|                             | (Rs mn)       |               |                |                |
|-----------------------------|---------------|---------------|----------------|----------------|
| Y/E March                   | FY11          | FY12          | FY13E          | FY14E          |
| Cash and Equi.              | 221.7         | 213.5         | 271.2          | 293.0          |
| Receivables                 | 2216.2        | 1710.4        | 2280.2         | 2686.7         |
| Inventories                 | 1916.6        | 4487.9        | 3610.3         | 3806.2         |
| Loans and Advances          | 774.5         | 598.6         | 760.1          | 895.6          |
| Other Assets                | 223.5         | 205.7         | 205.7          | 205.7          |
| Investments                 | 120.1         | 722.3         | 1622.3         | 2522.3         |
| Gross Fixed Assets          | 1449.1        | 1423.8        | 2323.8         | 2823.8         |
| Net Fixed Assets            | 1065.5        | 1111.8        | 1909.1         | 2267.9         |
| CWIP                        | 0.0           | 0.0           | 0.0            | 0.0            |
| <b>Application of Funds</b> | <b>6538.1</b> | <b>9050.3</b> | <b>10658.8</b> | <b>12677.6</b> |
| Current Liabilities         | 944.2         | 1363.9        | 1511.8         | 1781.4         |
| Provisions                  | 185.7         | 380.1         | 381.3          | 389.0          |
| Deferred Tax Liabilities    | 207.9         | 259.2         | 259.2          | 259.2          |
| Loan Funds                  | 2425.8        | 3625.2        | 4425.2         | 5425.2         |
| Reserves and Surplus        | 2599.4        | 3246.7        | 3906.1         | 4647.6         |
| Warrants & Other            | 0.0           | 0.0           | 0.0            | 0.0            |
| Equity Capital              | 175.1         | 175.1         | 175.1          | 175.1          |
| <b>Sources of Funds</b>     | <b>6538.1</b> | <b>9050.3</b> | <b>10658.8</b> | <b>12677.6</b> |

### Cash Flow Statement

|                                  | (Rs mn)        |                |                 |                 |
|----------------------------------|----------------|----------------|-----------------|-----------------|
| Y/E March                        | FY11           | FY12           | FY13E           | FY14E           |
| PAT                              | 603.2          | 708.4          | 721.7           | 811.4           |
| Depreciation                     | 63.1           | 78.8           | 102.7           | 141.1           |
| Changes in WC                    | -990.7         | -1257.7        | 295.5           | -460.7          |
| Interest exp                     | 318.3          | 460.3          | 584.3           | 714.0           |
| <b>Cashflow from Operations</b>  | <b>-6.0</b>    | <b>-10.3</b>   | <b>1704.3</b>   | <b>1205.8</b>   |
| Capital Expenditure              | -303.8         | -133.2         | -891.8          | -500.0          |
| Investments                      | -0.1           | -602.3         | -900.0          | -900.0          |
| <b>Cashflow from Investments</b> | <b>-303.86</b> | <b>-735.52</b> | <b>-1791.81</b> | <b>-1400.00</b> |
| Proceeds from Borrowings         | 512.5          | 1199.4         | 800.0           | 1000.0          |
| Issue of Shares, QIP             | 0.0            | 8.2            | -8.2            | 0.0             |
| Interest/Dividend paid & Other   | -369.2         | -521.4         | -646.6          | -784.0          |
| DTL                              | 58.2           | 51.3           | 0.0             | 0.0             |
| <b>Cashflow from Financing</b>   | <b>201.4</b>   | <b>737.5</b>   | <b>145.3</b>    | <b>216.0</b>    |
| <b>Net Change in Cash</b>        | <b>-108.45</b> | <b>-8.26</b>   | <b>57.8</b>     | <b>21.8</b>     |

### Financial Ratios

| Y/E March                    | FY11  | FY12  | FY13E | FY14E |
|------------------------------|-------|-------|-------|-------|
| <b>Profitability</b>         |       |       |       |       |
| Core EBITDA margins          | 12.9  | 12.4  | 12.4  | 12.4  |
| Net Profit Margins           | 6.1   | 5.7   | 5.2   | 5.0   |
| <b>Return</b>                |       |       |       |       |
| ROE                          | 21.7  | 20.7  | 17.7  | 16.8  |
| ROCE                         | 22.5  | 20.5  | 18.7  | 18.1  |
| <b>Liquidity and Gearing</b> |       |       |       |       |
| Cash Conversion Cycle        | 150.9 | 180.2 | 154.4 | 144.4 |
| Current Ratio                | 4.7   | 4.1   | 3.8   | 3.6   |
| Debt/Equity                  | 0.9   | 1.1   | 1.1   | 1.1   |
| Interest Cover               | 3.8   | 3.3   | 2.8   | 2.7   |
| <b>Per Share</b>             |       |       |       |       |
| FDEPS                        | 34.4  | 40.4  | 41.2  | 46.3  |
| BVPS                         | 158.4 | 195.4 | 233.0 | 275.4 |
| <b>Valuation</b>             |       |       |       |       |
| Price/E                      | 4.7   | 4.0   | 3.9   | 3.5   |
| Price/BV                     | 1.0   | 0.8   | 0.7   | 0.6   |

Networth Research: E-mail- [research@networthdirect.com](mailto:research@networthdirect.com)

E-mail: [research@networthdirect.com](mailto:research@networthdirect.com)

Tel: 022 30641744

#### Institution Sales

[dealing@networthdirect.com](mailto:dealing@networthdirect.com) 022-30641635

#### Key to NETWORTH Investment Rankings

**Buy:** Upside by >15, **Accumulate:** Upside by +5 to 15, **Hold:** Upside/Downside by -5 to +5, **Reduce:** Downside by 5 to 15, **Sell:** Downside by >15

**Disclaimer:** This document has been prepared by Networth Stock Broking Ltd. (NSBL). NSBL is a full service, integrated investment banking, portfolio management and brokerage group. Our research analysts and sales persons provide important input into our investment banking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. NSBL or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as advisor or lender / borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NSBL and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. NSBL reserves the right to make modifications and alterations to this statement as may be required from time to time. However, NSBL is under no obligation to update or keep the information current. Nevertheless, NSBL is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither NSBL nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. Analyst holding in stock: no.

Networth Stock Broking Ltd. ([www.networthdirect.com](http://www.networthdirect.com))

Office: - 10th Floor, Atlanta Centre, Sonawala Lane, Opp. Udyog Bhavan, Goregaon (E), Mumbai 400 063. Tel No.: 022 30641600