



Sadbhav Engineering Ltd

Key Stock Indicators

NSE Ticker :	SADBHAV	CMP (as on 16 Feb 2011—Rs/share):	97.0	Shares outstanding (mn) :	131.3
Bloomberg Ticker :	SADE:IN	52-week range up to 16 Feb 2011 (Rs)(H/L):	1595.00/95.25	Free Float (%) :	52.5
Face value / Share:	10.0	Market Cap as 16 Feb 2011 (Rs mn):	12,725	Average daily volumes (12 months) :	30,061
Div. Yield (%):	4.1	Enterprise Value as on 16 Feb 2011 (Rs mn):	26,780	Beta (2 year) :	0.9

Sadbhav Engineering Ltd (SEL) was incorporated in 1988. It is an infrastructure development company with focus on roads and highways, irrigation and mining sector. In 1989 the company took over M/s. Bhavna Construction Co. a partnership firm which was engaged in the construction business since 1968. In FY10, roads and highways contributed ~78% of the total revenues, mining operations ~16% and irrigation ~6%.

KEY HIGHLIGHTS

Strong order book position; securing future revenue

SEL's order book stood at ~Rs. 65 bn on May 31, 2010 vis~Rs.43 bn on June 30, 2009). Roads and highway business contributed ~76% to the total order book, mining ~15% and irrigation ~9%. SEL's FY10 orders include projects from Jharkhand Road Project Implementation Company Ltd for road improvement, mining projects from Coal India Ltd and Western Coalfields Ltd and various build – operate – transfer (BOT) projects from different states viz- Haryana, Karnataka, Andhra Pradesh and others. This ~Rs. 65 bn order book position provides revenue visibility in the future.

Geographically diversified road and highway business

Road and highway business dominates SEL's revenues. In FY10 it contributed ~78% to the total revenues. This business mainly covers constructing, widening and strengthening of roads and highways. The company has executed ~1876.285 kilo meter (km) length of the road projects and ~336.430 km projects are under execution level. The company has created presence in various states viz- Gujarat, Chhattisgarh, Rajasthan, Orissa, Madhya Pradesh and others. In FY10 company bagged 3 new BOT projects from states of Haryana, Karnataka and Andhra Pradesh.

SEL's rights issue to finance BOT projects and capital expenditure

In August, 2010, SEL came with a rights issue and raised Rs. 453.125 mn mainly to finance its BOT road projects and procurement of equipments. From net proceeds of Rs.435.919 mn, the company plans to utilize Rs.184.8 mn, for investment in BOT projects directly through subsidiaries or joint ventures or special purpose vehicles, Rs.164.510 mn for purchase of capital equipments and provision for loans and advances while remaining Rs.86.609 mn for corporate purposes.

KEY RISKS

- Cost and time overruns in execution could affect profitability
- Raw material price volatility, especially in steel, cement, etc
- Environmental clearances
- Change or delay in government's planned outflow towards infrastructure

Stock Performances vis-à-vis market

	Returns (%)			
	YTD	1-m	3-m	12-m
SADBHAV	-23	-7	-32	-15
NIFTY	4	-3	-10	14

Note:

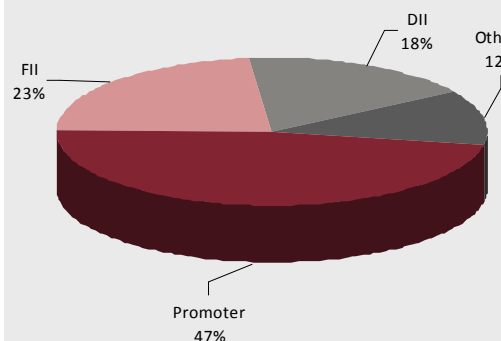
- 1) YTD returns are since Apr 01, 2010 to Feb 16, 2011.
- 2) 1-m, 3-m and 12-m returns are up Feb 16, 2011

Key Financial Indicators

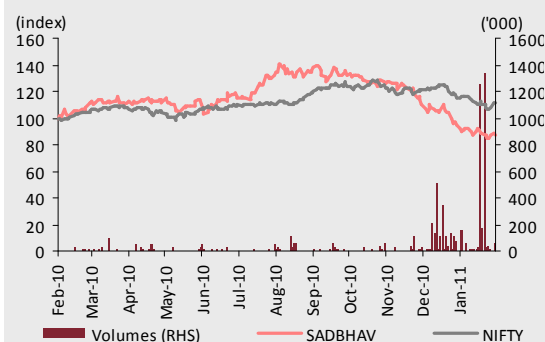
	Mar-08	Mar-09	Mar-10
Revenue (Rs mn)	8,992.9	11,089.6	13,505.8
EBITDA margins (%)	15.1	14.6	19.7
PAT (Rs mn)	510.6	377.9	267.6
PAT margins(%)	5.7	3.4	2.0
Gearing (x)	4.1	n.m	n.m
EPS (Rs/share)	40.9	30.2	21.4
PE (x)	30.8	10.5	4.5
P/BV (x)	10.5	-26.2	-0.5
RoCE (%)	21.3	14.6	18.7
RoE (%)	92.6	56.1	-
EV/EBITDA (x)	15.8	8.1	5.7

n.m. : Not meaningful

Shareholding (As on December 30, 2010)



Indexed price chart



Sadbhav Engineering Ltd

BACKGROUND

SEL was incorporated in 1988 by Mr. Vishnubhai Patel. The company in 1989 took over the business and assets of M/s. Bhavna Construction Co, a partnership firm which was in the construction business since 1968. The company has a rich experience in the construction industry which includes rehabilitating, upgrading, widening and strengthening roads and highways, construction of dams, canals remodeling and improving canals and mining of minerals. The company has undertaken projects for various different clients viz- National Highway Authority of India (NHAI), Sardar Sarovar Narmada Nigam Ltd (SSNNL), Larsen & Toubro, Steel Authority of India, Grasim Industries etc. In FY10, roads and highways contributed ~78% of the total revenues, mining operations ~16% and irrigation ~6%.

COMPETITIVE POSITION

Peer Comparison

	Sadbhav Engineering Ltd	Pratibha Industries Ltd	Nagarjuna Construction Co. Ltd.	I V R C L Infrastructures & Projects Ltd.
	Mar-10	Mar-10	Mar-10	Mar-10
Revenue (Rs mn)	13,505.8	10,097.6	46,472.8	58,677.4
EBITDA margins (%)	19.7	14.4	10.5	13.6
PAT (Rs mn)	267.6	565.1	2,264.1	934.9
PAT margins (%)	2.0	5.6	4.9	1.6
Gearing (x)	n.m	1.6	0.7	1.6
EPS (Rs/share)	21.4	33.9	8.8	6.8
PE (x)	4.5	1.7	13.0	17.9
P/BV (x)	-0.5	0.3	1.3	1.7
RoCE (%)	18.7	21.7	16.0	10.8
RoE (%)	-	22.6	11.5	4.4
EV/EBITDA (x)	5.7	3.2	8.7	7.9

n.m: Not meaningful

FINANCIAL PROFILE

Top line grew by ~22% accompanied by margin expansion in FY10

Top-line grew from ~Rs.11 bn in FY09 to ~Rs.14 bn in FY10 on account of improved government expenditure on infrastructure development projects. Operating margins improved to 19.7% in FY10 compared to 14.6% in FY09 as in FY10 there was significant decrease in percentage of material costs to the operating income, which stood at ~16% against ~25% in FY09. However, PAT declined from Rs.377.9 mn in FY09 to Rs.267.6 mn as a result of increase in depreciation, interest costs and provision for taxation.

Key Financial Indicators

	Units	Mar-08	Mar-09	Mar-10
Revenue	Rs million	8,992.9	11,089.6	13,505.8
EBITDA margins	Per cent	15.1	14.6	19.7
PAT	Rs million	510.6	377.9	267.6
PAT margins	Per cent	5.7	3.4	2.0
Revenue growth	Per cent	81.6	23.3	21.8
EBITDA growth	Per cent	110.0	19.3	64.7
PAT growth	Per cent	100.3	-26.0	-29.2
Gearing	Times	4.1	n.m	n.m
RoCE	Per cent	21.3	14.6	18.7
RoE	Per cent	92.6	56.1	0.0

INDUSTRY PROFILE

Construction (erection and commissioning)

The construction (erection and commissioning) sector comprises infrastructure and industrial construction. Infrastructure construction incorporates design and construction of roads, bridges, canals, dams, ports and airports, while industrial construction includes construction activities in key industries such as automobiles, textiles, petrochemicals, and oil and gas. In construction (erection and commissioning) sector, demand is determined by expected investments in the sector. The increase in investments has been driven primarily by the roads and power sector, followed by irrigation and urban infrastructure.

Sadbhav Engineering Ltd

ANNUAL RESULTS

Income Statement

(Rs million)	Mar-08	Mar-09	Mar-10
Net Sales	8,953.9	10,968.2	13,284.6
Operating Income	8,992.9	11,089.6	13,505.8
EBITDA	1,356.9	1,618.7	2,666.6
EBITDA Margin	15.1	14.6	19.7
Depreciation	257.0	378.0	564.5
Interest	384.8	673.2	1,412.1
Other Income	16.2	10.1	22.1
PBT	751.9	570.6	612.8
PAT	510.6	377.9	267.6
PAT Margin	5.7	3.4	2.0
No. of shares (Mn No.)	12.5	12.5	12.5
Earnings per share (EPS)	40.9	30.2	21.4

Cash flow

(Rs million)	Mar-08	Mar-09	Mar-10
Pre-tax profit	731.4	577.7	712.1
Total tax paid	-234.4	-179.7	-314.2
Depreciation	257.0	378.0	564.5
Change in working capital	-676.8	-1,502.4	-1,522.2
Cash flow from operating activities	77.2	-726.4	-559.8
Capital Expenditure	-3,833.7	-2,941.4	-3,447.2
Investments and others	-513.4	382.9	-609.4
Cash flow from investing activities	-4,347.1	-2,558.5	-4,056.6
Equity raised/(repaid)	896.0	0.0	0.0
Debt raised/(repaid)	2,893.5	3,259.2	5,167.9
Dividend (incl. tax)	-58.5	-58.5	-58.3
Others (incl extraordinary)	453.8	203.4	-310.7
Cash flow from financing activities	4,184.8	3,404.1	4,798.9
Change in cash position	-85.1	119.2	182.5
Opening cash	290.2	205.0	324.2
Closing cash	205.0	324.2	506.8

n.m : Not meaningful;

Balance sheet

(Rs million)	Mar-08	Mar-09	Mar-10
Equity share capital	159.5	125.0	125.0
Reserves and surplus	1,340.4	-276.6	-2,554.1
Tangible net worth	1,499.9	-151.6	-2,429.1
Deferred tax liability: asset	97.1	110.0	141.1
Long-term debt	5,181.1	8,127.3	11,766.9
Short-term-debt	954.1	1,267.2	2,795.5
Total debt	6,135.3	9,394.5	14,562.4
Current liabilities	2,036.6	2,376.6	4,567.3
Total provisions	61.8	61.1	62.3
Total liabilities	9,830.7	11,790.6	16,904.0
Gross block	2,448.5	2,704.1	3,473.5
Net fixed assets	5,397.8	5,779.8	6,387.0
Investments	637.4	254.4	864.0
Current assets	3,795.5	5,756.4	9,653.0
Receivables	1,333.5	2,750.5	4,408.1
Inventories	850.2	275.5	583.5
Cash	205.0	324.2	506.8
Total assets	9,830.7	11,790.6	16,904.0

Ratio

	Mar-08	Mar-09	Mar-10
Revenue growth (%)	81.6	23.3	21.8
EBITDA growth(%)	110.0	19.3	64.7
PAT growth(%)	100.3	-26.0	-29.2
EBITDA margins(%)	15.1	14.6	19.7
Tax rate (%)	31.1	31.5	51.3
PAT margins (%)	5.7	3.4	2.0
Dividend payout (%)	9.8	13.2	18.7
Dividend per share (Rs)	4.0	4.0	4.0
BV (Rs)	120.0	-12.1	-194.3
Return on Equity (%)	92.6	56.1	0.0
Return on capital employed (%)	21.3	14.6	18.7
Gearing (x)	4.1	n.m	n.m
Interest coverage (x)	3.5	2.4	1.9
Debt/EBITDA (x)	4.5	5.8	5.5
Asset turnover (x)	4.0	4.3	4.4
Current ratio (x)	1.4	1.6	1.3
Gross current assets (days)	149	188	249

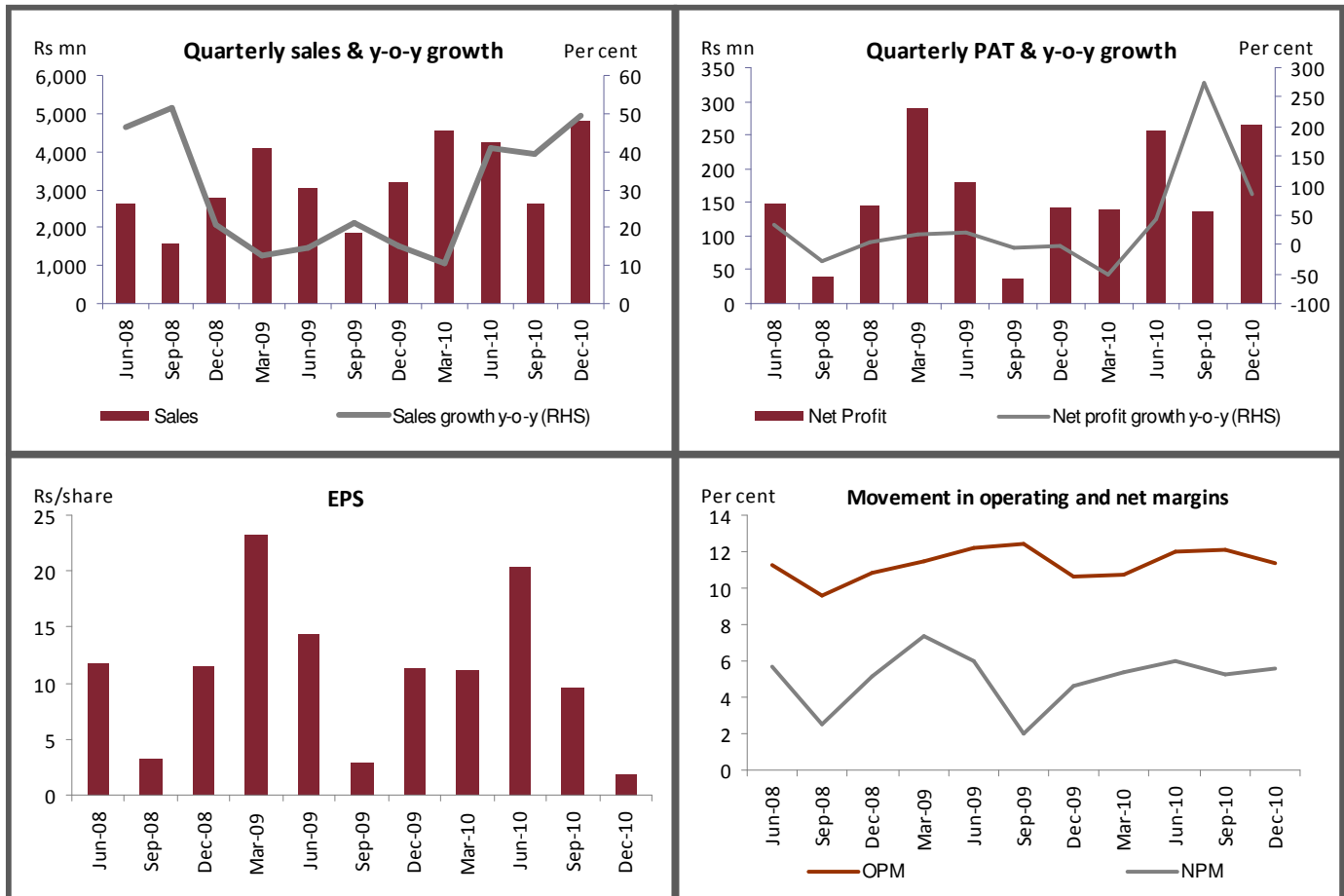
QUARTERLY RESULTS

Profit and loss account

(Rs million)	Dec-10	% of Rev	Dec-09	% of Rev	Sep-10	% of Rev	Dec-10	% of Rev	Dec-09	% of Rev
No of Months	3		3		3		9		9	
Revenue	4,776.3	100.0	3,198.0	100.0	2,611.4	100.0	11,643.0	100.0	8,093.8	100.0
EBITDA	542.8	11.4	335.8	10.5	316.6	12.1	1,368.0	11.7	929.6	11.5
Interest	68.3	1.4	70.8	2.2	41.9	1.6	170.6	1.5	220.8	2.7
Depreciation	68.4	1.4	43.7	1.4	66.5	2.5	199.7	1.7	115.9	1.4
PBT	406.1	8.5	221.3	6.9	208.2	8.0	997.6	8.6	593.0	7.3
PAT	263.8	5.5	141.1	4.4	137.3	5.3	656.5	5.6	398.6	4.9

Sadbhav Engineering Ltd

FOCUS CHARTS & TABLES



Shareholding Pattern (Per cent)

	Mar 2010	Jun 2010	Sep 2010	Dec 2010
Promoter	47.6	47.6	47.5	47.5
FII	23.4	23.9	23.0	22.9
DII	18.2	18.2	18.5	18.0
Others	10.9	10.4	11.0	11.5

Board of Directors

Director Name	Designation
Vishnubhai Mafatlal Patel (Mr.)	Executive Chairman & Managing Director, Promoter-Director
Shashin Vishnubhai Patel (Mr.)	Jt. Managing Director, Wholetime Director
Pravinkumar Mathuradas Ganatra (Mr.)	Non-Executive Director
Chetankumar Nandubhai Patel (Mr.)	Promoter-Director, Wholetime Director
Nitinbhai Rameshchandra Patel (Mr.)	Wholetime Director
Amarsinh Jivaji Vaghela (Mr.)	Non-Executive Director
Sandip V. Patel (Mr.)	Director
Atul N. Ruparel (Mr.)	Non-Executive Director

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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