

Lanco Infratech Ltd.

Q2FY11 Earnings Update

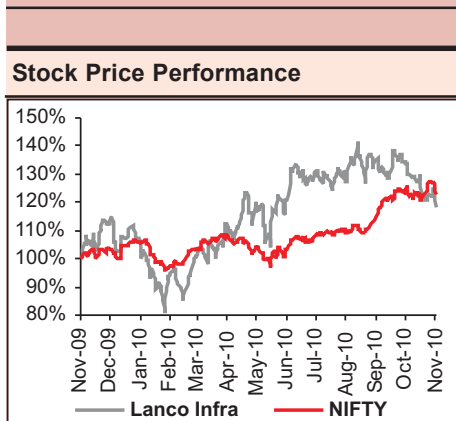
November 16, 2010

Key Stock Data	
Sector	Diversified
CMP	₹63.1
52-wk High / Low	₹74.7/40/8
Market Cap	₹151.9bn (\$3414mn)
6m avg vol	4301428
BSE Sensex	20309

Stock Codes	
Bloomberg Code	LANCI IN
Reuters Code	LAIN.BO
BSE Code	532778
NSE Code	LITL
Face Value	₹1per share

Shareholding Pattern (30 Sept. 2010)	
Promoters	67.9%
FIIIs	21.9%
DIIIs	2.4%
Others	7.8%

Price Performance (%)			
	(%)		
1 Mth	3 Mths	6 Mths	1 Yr
-12.0%	-7.5%	0.4%	18.1



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Performance highlights

The company has posted total revenue growth of 12% YoY to ₹2459.4Cr from ₹2194.3Cr for the quarter ended 30th Sept, 2010. EBIDTA grew 48% to ₹489.1Cr from ₹331Cr and PAT showed negative growth of 43% to ₹70.3Cr from ₹122.6Cr mainly due to higher depreciation charge at 14.5%. However, Cash PAT was up by 61% to ₹238.5Cr from ₹148.6Cr.

Segment-wise performances

Power business: Revenues stood at ₹1552Cr as compared to ₹713Cr showing 117% YoY growth. EBIDTA stood at ₹335Cr as compared to ₹83Cr. The commissioning of new plants has resulted in revenue increase. Decrease in average realization per unit was due to synchronizing & commissioning of Udupi unit II and shut down (18 days) of Amarkantak unit for maintenance.

EPC business: Revenues were down by 26% to ₹1095Cr from ₹1475Cr and EBIDTA was down by 54% to ₹108Cr from ₹233Cr. EBIDTA Margins contracted by 600bps. EBIDTA improvement is expected on timely completion of ongoing projects.

Developments during the quarter

- The company is planning eight (2x660MW) new projects in the States of Tamil Nadu, Andhra Pradesh, Chattisgrah, Orissa, Uttar Pradesh, Karnataka for which various order have been placed on the contractors & OEM suppliers. The current order book doesn't include these projects.
- The company has received financial closure of orders worth ₹6941Cr. The debt sanctioned to the tune of ₹5550Cr by the consortium of 10 banks including PFC (lead banker) for the four projects namely; Kondapalli III (2x366MW), Amarkantak (2x660MW), Vidarbh (2x660MW) and Babandh (2x660MW). As on date, the projects are proceeding as per schedule.
- The company is yet to receive COD for Udupi II project due to technical reasons. However, the company may get compensation for the delay. Through this project, the company is also selling power on UI basis. Revenues derived from it will be shown in coming quarters.
- The company has received an order through a new power project of ₹1724Cr which is in Koradi. As on 30th September 2010, total order book stands at ₹25425Cr which are executable over a period of 4 years.

Order book position	(₹Cr)
Order book at the beginning	24796
Add: Order Inflow	1724
Less: Sales Booked	1095
Order book at the end	25425

- COD of two projects namely; Udupi unit II and Anpara are expected by the end of next quarter.

Valuation & Recommendation

We maintain a positive outlook on the company on the basis of its performance, order inflow and execution capabilities and give a 'buy' recommendation with the revised target price of ₹79.6 on SOTP methodology.

	Capacity MW	LITL Stake	Valuation	Equity Value LITL	M Cap/MW (₹Cr)	Value per Share
Kondapalli	1460	59%	2501.1	1475.6	5.9	6.2
Amarkantak	1920	100%	3566.0	3566.0	8.9	14.9
Udupi	1200	100%	3107.8	3107.8	5.2	13.0
Anpara	1860	100%	3273.3	3273.3	5.4	13.7
Babandh	2640	100%	1156.1	1156.1	1.8	4.8
Vamshi	20	91%	44.8	40.8	4.5	0.2
Lanco Power	720	90%	828.4	668.6	4.4	2.8
Aban	120	51%	628.4	320.5	5.2	1.3
Tamil Nadu	12	100%	46.6	46.6	3.9	0.2
Total						57.2

Segment	Basis	Multiple/ Discount	Value to LITL	Price per share
EPC Construction	PE	12	4516.6	18.9
BOT Power Projects	DCF	13.3	13655.4	57.2
BOT Roads	NPV	14	412.4	1.7
Real Estate	NAV	20%	400.0	1.7
Total				79.6

Consolidated Profit & Loss statements (₹Cr)

Particulars	Q2FY10	Q1FY11	Q2FY11	Y-o-Y	Q-o-Q	H1 FY10	H1 FY11	Y-o-Y
Net Sales	1926.6	2125.6	2041.7	6.0%	-3.9%	4036.1	4167.4	3.3%
Total Expenditure	1635	1545.3	1647.1	0.7%	6.6%	3117.4	3191.2	2.4%
PBIDT (Excl OI)	291.6	580.3	394.6	35.3%	-32.0%	918.7	976.2	6.3%
Other Income	18.9	25.2	72.5	283.6%	187.7%	76.9	97.6	26.9%
Operating Profit	310.5	605.5	467.1	50.4%	-22.9%	995.6	1073.8	7.9%
Interest	51.9	156.7	175.3	237.8%	11.9%	243	332	36.6%
PBDT	258.6	448.8	291.8	12.8%	-35.0%	752.6	741.8	-1.4%
Depreciation	33.2	155.1	173.3	422.0%	11.7%	281.8	325.4	15.5%
PBT	225.4	293.7	118.5	-47.4%	-59.7%	470.8	416.4	-11.6%
Tax	76.9	35.3	37.8	-50.8%	7.1%	206	73.2	-64.5%
Profit After Tax	148.5	258.4	80.7	-45.7%	-68.8%	264.8	343.2	29.6%

Standalone Profit & Loss statements (₹Cr)

Particulars	FY08	FY09	FY10	FY11E	FY12E
Net Sales	1574.6	4082.6	5886.7	4415.0	5298.0
Growth (%)	1.9	1.6	0.4	-0.3	0.2
Total Expenditure	1260.5	3515.5	5020.4	3728.5	4450.3
PBIDT (Excl OI)	314.1	567.1	866.3	686.5	847.7
Other Income	29.1	15.1	111.5	50.0	50.0
Operating Profit	343.2	582.2	977.8	736.5	897.7
% of Sales	21.8	14.3	16.6	16.7	16.9
Interest	34.5	138.6	197.9	220.0	290.0
PBDT	308.7	443.6	779.9	516.5	607.7
Depreciation	11.6	40.5	59.8	65.0	70.0
PBT	297.1	403.0	720.1	451.5	537.7
Tax	96.9	138.2	233.7	135.5	161.3
Profit After Tax	200.2	264.9	486.4	316.1	376.4
% of Sales	12.7	6.5	8.3	7.2	7.1

Consolidated Financials

Profit & Loss statements

(₹Cr)

Particulars	FY08	FY09	FY10	FY11E	FY12E
Net Sales	3241.3	6006.2	8032.0	11321.5	16308.1
Growth (%)	99.1%	85%	34%	41%	44%
Total Expenditure	2541.8	5214.1	6668.7	8170.8	10051.1
Operating Profit	794.7	878.8	1635.4	3150.7	6257.0
% of Sales	24.5	14.6	20.4	27.8	38.4
Interest	92.1	218.5	355.4	1501.4	2342.2
PBDT	702.6	660.3	1280.0	1649.3	3914.8
Depreciation	77.6	107.3	347.9	601.2	1204.3
PBT	625.0	553.0	932.2	1048.1	2710.4
Tax	140.5	169.0	364.3	356.4	921.5
Net PAT	361.7	282.4	449.9	591.7	1288.9
% of Sales	11.2	4.7	5.6	5.2	7.9

Cash Flow

(₹Cr)

Particulars	FY08	FY09	FY10	FY11E	FY12E
Profit Before Tax	625.0	553.0	932.2	1048.1	2710.4
Add: Depreciation	77.6	107.3	347.9	601.2	1204.3
Add: Interest Exp.	43.0	223.8	405.1	1501.4	2342.2
Add: Others	10.0	106.2	39.6	30.0	50.0
Changes in WC	-71.8	-584.9	-1254.4	-622.7	372.4
Cash Flow after changes in WC	683.7	405.5	470.2	2558.0	6679.4
Tax Paid	-107.4	-167.2	-314.5	-356.4	-921.5
Cash From Operating Activities	545.0	238.3	155.7	2201.6	5757.9
Cash Flow from Investing Activities	-1526.0	-1744.7	-2841.0	-10234.4	-8300
Cash from Financing Activities	1318.8	1711.9	2695.9	7887.2	2892.2
Net Cash Inflow / Outflow	337.9	205.4	10.6	-145.6	350.1
Opening Cash & Cash Equivalents	212.1	550.0	755.4	766.0	620.5
Closing Cash & Cash Equivalent	545.0	755.4	766.0	620.5	970.6

Balance sheet

(₹Cr)

Particulars	FY08	FY09	FY10	FY11E	FY12E
Share Capital	219.8	219.8	238.6	238.6	238.6
Total Reserves	1611.9	1877.8	3106.2	3698.0	4986.9
Net Worth	1831.7	2097.6	3344.8	4236.6	5625.5
Minority Interest	560.4	703.3	710.8	935.1	1222.7
Total Debts	2965.0	5597.0	8361.4	17750.0	22984.5
Total Liabilities	5357.1	8397.9	12417.0	22921.6	29832.6
Net Block	1392.3	1625.2	5077.7	9324.5	16203.2
Capital WIP	2312.5	3788.7	1923.7	8083.0	8150.0
Investments	696.6	983.7	2022.9	2050.0	2200.0
Current Assets	3876.9	5151.0	7003.9	7967.1	9991.8
Current Liabilities	2703.9	3133.1	3511.0	4193.8	6240.7
Net Current Assets	1173.0	2017.8	3492.9	3773.3	3751.0
Total Assets	5557.1	8397.9	12417.0	23080.9	30154.3

Ratios

Turnover Ratios	FY08	FY09	FY10	FY11E	FY12E
Total assets turnover	0.6	0.7	0.6	0.5	0.5
Fixed assets turnover	2.3	3.7	1.6	1.2	1.0
WC turnover	2.8	3.0	2.3	3.0	4.3
Net WC Days	132.1	122.6	158.7	121.7	84.0
Inventory turnover	3.8	4.5	4.9	4.4	5.1
Debtors turnover	4.5	5.0	3.6	3.8	4.1
Valuation Ratios (x)					
Market Price (₹)	38.9	14.6	69.0	69.0	69.0
PE (x)	17.6	11.3	36.6	27.8	12.8
EPS (x)	2.2	1.3	1.9	2.5	5.4
Book Value Per Share	8.3	9.5	14.0	17.8	23.6
P/BV (x)	4.7	1.5	4.9	3.9	2.9
EV/EBIDTA (x)	29.2	26.4	14.2	7.4	3.7
Return Ratios (%)					
ROCE (%)	25.1	14.7	14.5	13.5	21.1
ROE (%)	19.7	13.5	13.5	14.0	22.9
Margins (%)					
EBIDTA	24.5	14.6	20.4	27.8	38.4
EBT	19.3	9.2	11.6	9.3	16.6
PAT	11.2	4.7	5.6	5.2	7.9
Other Ratios(%)					
Operating Margin	21.6	13.2	17.0	27.8	38.4
Gross Margins	24.5	14.6	20.4	27.8	38.4
Net Profit Margin	11.2	4.7	5.6	5.2	7.9
Interest Cover (X)	7.8	3.5	3.6	1.7	2.2

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