

## MBL Infrastructures

### Wins projects worth ₹2,126cr

MBL Infrastructures (MBL) reported having won 2 NHAI road projects worth ₹2,126cr on Hybrid Annuity model.

The first project entails 4-laning of Chutmulpur-Ganeshpur section of NH-72A to Roorkee-Chutmulpur-Gagalheri section of NH-73, covering a stretch of 53.3kms. MBL won this project at a bid price of ₹942cr, against the NHAI base price of ₹809.88cr. This Hybrid Annuity project is a 15-year project, which includes 730 days of construction period.

The second project covers 4-laning of Gagalheri-Saharanpur-Yamunanagar section of NH-73, covering a 51.455kms stretch. MBL won this project at a bid price of ₹1,184cr, against NHAI base price of ₹1,009.36cr. This Hybrid Annuity project is a 15-year project, which includes 730 days of construction period.

For both the projects, Sadbhav Engineering was the second lowest bidder.

MBL's unexecuted order book as of 3QFY2016 stood at ~₹4,748cr (order book [OB] to LTM revenues at ~2.0x). With these 2 project wins, we now expect MBL to end FY2016 with OB to LTM sales ratio of ~2.8x, indicating better revenue visibility.

**Outlook and valuation:** MBL's stock price has corrected by ~50% in the last 12 months period owing to order book concerns. For FY2016, MBL has surpassed its order inflow guidance of ₹2,500cr. Considering the strong roads & highways bid pipeline and MBL's strong market positioning, we are optimistic that MBL has a fair chance of attaining its order inflow guidance of ₹2,800cr for FY2017E. Post the recent order wins, concern over its order book get allayed up to certain extent. Also 3 of its BOT projects are expected to commence operations in FY2016-17E, which should lead to initiation of debt repayment cycle at SPV level. All these positives shaping-up comfort us that the stock is poised to get re-rated. Using SoTP based valuation methodology we arrive at FY2017E based price target of ₹285. **Given the upside potential, we maintain our Buy on the stock.**

#### Key financials (Consolidated)

Y/E March (₹ cr)	FY13	FY14	FY15P	FY16E	FY17E
<b>Net Sales</b>	<b>1,355</b>	<b>1,766</b>	<b>1,962</b>	<b>2,313</b>	<b>2,797</b>
% chg		30.3	11.1	17.9	21.0
<b>Net Profit</b>	<b>57</b>	<b>77</b>	<b>82</b>	<b>80</b>	<b>84</b>
% chg		35.9	6.0	(2.1)	5.0
EBITDA (%)	10.6	10.7	12.1	12.2	14.6
<b>EPS (₹)</b>	<b>32</b>	<b>44</b>	<b>39</b>	<b>19</b>	<b>20</b>
P/E (x)	4.8	3.5	3.9	8.0	7.6
P/BV (x)	0.7	0.6	0.5	0.8	0.8
RoE (%)	15.2	17.8	14.5	11.3	10.6
RoCE (%)	14.6	15.6	14.9	12.1	13.9
EV/Sales (x)	0.6	0.6	0.7	1.0	0.9
EV/EBITDA (x)	5.8	5.2	5.5	8.0	6.0

Source: Company, Angel Research; CMP as of April 1, 2016

## BUY

CMP	₹154
Target Price	₹285

Investment Period	12 Months
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Stock Info	
Sector	Infrastructure
Market Cap (₹ cr)	638
Net debt (₹ cr)	987
Beta	1.0
52 Week High / Low	320/116
Avg. Daily Volume	122,396
Face Value (₹)	10
BSE Sensex	25,270
Nifty	7,713
Reuters Code	MBLI.BO
Bloomberg Code	MBL@IN

Shareholding Pattern (%)	
Promoters	46.7
MF / Banks / Indian Fls	31.2
FII / NRIs / OCBs	6.6
Indian Public / Others	15.6

Abs. (%)	3m	1yr	3yr
Sensex	(3.4)	(10.6)	32.7
MBL	(31.5)	(50.4)	110.1

#### 3-Year Daily Price Chart



Source: Company, Angel Research

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**Profit and Loss Statement (Consolidated)**

Y/E March (₹ cr)	FY13	FY14	FY15	FY16E	FY17E
<b>Net Sales</b>	<b>1,355</b>	<b>1,766</b>	<b>1,962</b>	<b>2,313</b>	<b>2,797</b>
% Chg		30.3	11.1	17.9	21.0
Total Expenditure	1,212	1,578	1,725	2,031	2,389
Cost of Materials Consumed	954	1,376	1,517	1,777	2,089
Direct Labour, Sub-Contracts	180	118	84	138	161
Employee benefits Expense	23	27	37	36	41
Other Expenses	55	57	87	79	98
<b>EBITDA</b>	<b>143</b>	<b>188</b>	<b>237</b>	<b>282</b>	<b>408</b>
% Chg		31.2	25.9	19.0	44.8
EBITDA %	10.6	10.7	12.1	12.2	14.6
Depreciation	11	14	20	33	57
EBIT	132	174	217	249	351
% Chg		31.6	24.5	14.8	41.1
Interest and Financial Charges	58	75	101	140	246
Other Income	2	4	3	3	3
PBT	76	103	119	111	108
Tax	20	26	37	31	39
% of PBT	25.7	25.2	31.3	28.1	35.6
PAT before Exceptional item	57	77	82	80	70
Exceptional item	0	0	0	0	0
PAT before Minority Interest	57	77	82	80	70
Minority Interest	0	0	0	0	(14)
<b>PAT after Minority Interest</b>	<b>57</b>	<b>77</b>	<b>82</b>	<b>80</b>	<b>84</b>
% Chg		35.9	6.0	(2.1)	5.0
PAT %	4.2	4.4	4.2	3.5	3.0
Diluted EPS	32	44	39	19	20
% Chg		36.0	(10.5)	(51.1)	5.0

**Balance Sheet (Consolidated)**

Y/E March (₹ cr)	FY13	FY14	FY15	FY16E	FY17E
<b>Sources of Funds</b>					
Equity Capital	18	18	21	41	41
Reserves Total	380	451	635	715	779
<b>Networth</b>	<b>398</b>	<b>469</b>	<b>656</b>	<b>756</b>	<b>820</b>
Total Debt	644	772	1,063	1,680	1,848
Other Long-term Liabilities	44	40	80	73	73
Minority Interest	0	32	0	0	(14)
Deferred Tax Liability	30	34	41	35	35
<b>Total Liabilities</b>	<b>1,116</b>	<b>1,347</b>	<b>1,839</b>	<b>2,544</b>	<b>2,762</b>
<b>Application of Funds</b>					
Gross Block	248	287	351	921	1,663
Accumulated Depreciation	59	73	91	120	181
<b>Net Block</b>	<b>189</b>	<b>214</b>	<b>260</b>	<b>801</b>	<b>1,482</b>
Capital WIP	209	376	497	620	0
<b>Investments</b>	<b>20</b>	<b>20</b>	<b>24</b>	<b>24</b>	<b>24</b>
<b>Current Assets</b>					
Inventories	₹491	559	811	807	919
Sundry Debtors	253	318	395	450	544
Cash and Bank Balance	77	68	76	49	39
Loans, Advances & Deposits	72	98	88	101	104
Other Current Asset	6	8	7	6	7
Current Liabilities	208	330	379	375	417
<b>Net Current Assets</b>	<b>692</b>	<b>721</b>	<b>998</b>	<b>1,038</b>	<b>1,195</b>
Other Assets	6	16	61	61	61
<b>Total Assets</b>	<b>1,116</b>	<b>1,347</b>	<b>1,839</b>	<b>2,544</b>	<b>2,762</b>

**Cash Flow Statement (Consolidated)**

Y/E March (₹ cr)	FY13	FY14	FY15	FY16E	FY17E
Profit before tax	76	103	119	111	108
Depreciation	11	14	20	33	57
Change in Working Capital	(35)	(56)	(261)	(217)	(488)
Interest & Financial Charges	58	75	101	140	246
Direct taxes paid	(48)	(14)	(37)	(31)	(39)
<b>Cash Flow from Operations</b>	<b>62</b>	<b>122</b>	<b>(58)</b>	<b>37</b>	<b>(115)</b>
(Inc)/ Dec in Fixed Assets	(172)	(206)	(186)	(552)	197
(Inc)/ Dec in Investments	(20)	0	(4)	0	0
<b>Cash Flow from Investing</b>	<b>(191)</b>	<b>(206)</b>	<b>(190)</b>	<b>(552)</b>	<b>197</b>
Issue/ (Buy Back) of Equity	0	0	117	21	0
Inc./ (Dec.) in Loans	202	128	290	617	176
Dividend Paid (Incl. Tax)	(3)	(6)	(7)	(8)	(9)
Interest Expenses	(58)	(75)	(101)	(140)	(246)
Minority Interest	0	32	(32)	0	(14)
<b>Cash Flow from Financing</b>	<b>142</b>	<b>78</b>	<b>267</b>	<b>490</b>	<b>(92)</b>
Inc./ (Dec.) in Cash	13	(6)	18	(26)	(11)
<b>Opening Cash balances</b>	<b>50</b>	<b>63</b>	<b>57</b>	<b>75</b>	<b>49</b>
<b>Closing Cash balances</b>	<b>63</b>	<b>57</b>	<b>75</b>	<b>49</b>	<b>39</b>

**Key Ratios (Consolidated)**

Y/E March	FY13	FY14	FY15	FY16E	FY17E
<b>Valuation Ratio (x)</b>					
P/E (on FDEPS)	4.8	3.5	3.9	8.0	7.6
P/CEPS	4.0	3.0	3.1	5.6	4.5
Dividend yield (%)	1.5	1.5	1.5	0.8	0.9
EV/Sales	0.6	0.6	0.7	1.0	0.9
EV/EBITDA	5.8	5.2	5.5	8.0	6.0
EV / Total Assets	0.8	0.7	0.7	0.9	0.9
<b>Per Share Data (₹)</b>					
EPS (fully diluted)	32.3	44.0	39.4	19.3	20.2
Cash EPS	38.7	52.0	49.1	27.3	34.0
DPS	3.0	3.0	3.1	1.6	1.9
Book Value	227.1	267.6	316.5	182.5	197.9
<b>Returns (%)</b>					
RoCE (Pre-tax)	14.6	15.6	14.9	12.1	13.9
Angel RoIC (Pre-tax)	12.9	14.4	12.8	10.3	13.3
RoE	15.2	17.8	14.5	11.3	10.6
<b>Turnover ratios (x)</b>					
Asset Turnover (Gross Block) (X)	0.6	0.7	0.7	0.5	0.4
Inventory / Sales (days)	127	108	127	128	113
Receivables (days)	57	59	66	67	65
Payables (days)	18	25	37	32	19
<b>Leverage Ratios (x)</b>					
D/E ratio (x)	1.6	1.6	1.6	2.2	2.3
Interest Coverage Ratio (x)	2.3	2.4	2.2	1.8	1.4

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Disclosure of Interest Statement	MBL Infrastructures
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

**Ratings (Based on expected returns over 12 months investment period):**

Buy (> 15%)

Accumulate (5% to 15%)  
Reduce (-5% to -15%)

Neutral (-5 to 5%)  
Sell (< -15%)