

Sadbhav Infra Projects Ltd. : Weak Issue IPO Note: High Debt, Making Loss for last three fiscal Ranking:*



Issue details

Price band (Rs)	Rs.100 - Rs. 103
IPO Opening Date	31/08/2015
IPO Closing Date	02/09/2015
Issue Size	Rs.425.00 Crore

Valuations & Recommendation

Despite registering CAGR of 56% in its revenues and 53% CAGR in EBITDA, it has (on consolidated basis) posted negative EPS for last three fiscals. It's RONW also at negative 26.27% for the said periods. For FY15 it has reported net loss of Rs. 302 crore on revenue of Rs. 528.05 crore. It has total debt Rs.5706.18 crore.

Highlights

- Sadbhav Infra Projects Ltd. (SIPL) is a wholly owned subsidiary of Sadbhav Engineers Ltd
- SIPL is one of the leading road BOT companies in India
- SIPL partially or fully owns 10 national and State highway BOT projects in Gujarat, Maharashtra, Karnataka, Rajasthan, Haryana, Madhya Pradesh and Telangana. Of these, six are fully operational in which toll collection has started.
- The company generated revenue of Rs.89.66 crore for the year ended March 2011 and Rs.528.05 for FY15 indication a CAGR of 56%
- The company has been incurring losses in last 3 years.

Company Introduction Company Profile

Incorporated in 2007, Sadbhav Infrastructure Project Limited is leading road BOT companies in India that specialises in the development, operation and maintenance of highways, roads and related projects. Sadbhav Infra is involved in the development, operation and maintenance of national and state highways and roads in several states in India including Maharashtra, Gujarat, Rajasthan, Karnataka, Haryana, Madhya Pradesh and Telangana and border check posts in the state of Maharashtra. Company has ten BOT projects of which six road projects are fully operational, one is the partially operational border check posts and the remaining three projects are in various stages of development. Nine of the ten BOT projects are toll projects. Sadbhav Infra generate revenues primarily from toll collection, service fee and annuity receipts.

Issue Proceed

To pre-pay its high cost debts, finance, invest and advancing of sub-ordinate debt to its subsidiaries and to raise general corporate expenses fund, the company is coming out with a fresh equity



Financial Summary (Rs. In Crore)

Particulars	FY2013	FY2014	FY2015
Sales (in cr.)	315.43	392.66	528.05
Net Profit (in cr.)	-45.67	-155.94	-301.56
EPS (Rs.)	-	-	-

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

issue worth Rs. 425 crore and also "offer for sale" of 6471524 equity shares by existing stakeholders. Out of the entire issue shares worth Rs. 25 crore are reserved for eligible employees. Price band for the issue is fixed at Rs. 100-103. Issue opens for subscription on 31.08.15 and will close on 02.09.15. Minimum application is to be made for 145 shares and in multiples thereon, thereafter. Post issue its existing equity capital of Rs. 310.96 crore will rise to Rs. 352.22 crore.

Objects of the Issue:

The Issue comprises of a Fresh Issue and an Offer for Sale.

Offer for Sale

The Selling Shareholders will be entitled to the proceeds of the Offer for Sale net of their proportion of Issue related expenses. Company will not receive any proceeds from the Offer for Sale.

Fresh Issue

Company proposes to utilise the Net Proceeds from the Fresh Issue towards funding of the following objects:

Repayment/pre-payment, in full or part, of certain loans availed by our Company from ICICI Bank Limited and SEL, our corporate Promoter;

Equity investment and advancing of sub-ordinate debt to our subsidiary, SUTPL, for part financing of the SUTPL Project General corporate purposes.

Financial Performance

On performance front, despite registering CAGR of 56% in its revenues and 53% CAGR in EBITDA, it has (on consolidated basis) posted negative EPS for last three fiscals. It's RONW also at negative 26.27% for the said periods. For FY15 it has reported net loss of Rs. 329.97 crore on revenue of Rs. 528.05 crore. The company may ripe benefits of Governments massive spending on roads infra developments in coming few years, but for that one has to wait and watch for the progress on that count.

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