

AUM Capital Market Private Ltd.

Q1-FY12 Update: SREI Infrastructure Finance

Market Data		Profits Inline but under pressure going further
Date	Aug 01, 2011	Recommendation: BUY
CMP (Rs)	45.2	<ul style="list-style-type: none"> Total income once again witnessed growth around ~60% and stood at Rs 509 Cr as against Rs 321 Cr in Q1 2011 PBT margin stood at 18% with growth of ~20% as against the same quarter last year. Numbers for PBT were Rs 90 Cr. (Rs 75 Cr in Q1 2011) At a margin of 12%, PAT grew at 30% over previous year and stood at Rs 59 Cr for Q1 2012 (Rs 46 Cr in Q1 2011) Looking at current interest rate scenario, the management is cautious regarding its profit margins and may consider passing the cost to the client side going further.
BSE Code	523756	
NSE Code	SREINFRA	
Face Value (Rs)	10	
Market cap (Rs Cr)	2,273	
52 Wk H/L	78.9/37.5	

Share Price Chart	Continued growth in AUM and Disbursements
<p>2-Aug-10 2-Nov-10 2-Feb-11 2-May-11</p> <p>— SREI — BSE</p>	<ul style="list-style-type: none"> Consolidated AUM stood at Rs 22,673, an increase of 56% over Q1 2011 (Rs 14,576) Consolidated disbursements stood at Rs 5,148, an increase of 59% over Q1 2011 (Rs 3,243)

Share Holding Pattern (%)			Other news
Particular	Mar 11	Jun 11	<ul style="list-style-type: none"> Fresh capital of Rs 49.91 Cr was infused in Rights issue in SREI Equipment Finance Pvt. Ltd.
Promoter	46.22	46.22	
FII	13.37	14.11	
DII	11.78	11.78	
Others	28.63	28.63	
Total	100.00	100.00	
Source: BSE			Valuation
			At the current market price of Rs. 45, SREI stock trades at a P/E of 10.0x (current EPS annualized) for FY12E and P/BV multiple of 0.80x (based on current book value). We maintain our BUY recommendation on the stock with a target price of Rs 77.

Analyst
Ajay Binani
ajay.binani@aumcap.com
+91 98312 52939

Financials (Rs Cr) - Consolidated					
Particular	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12
Total Income	321	355	327	628	509
PBT	75	111	62	40	89
PAT	46	78	40	16	54
Margins					
PBT	23%	31%	19%	6%	18%
PAT	14%	22%	12%	3%	12%

Source: Company Reports

Risks & Concerns

Strong competition from banks

Availability of cheap funds by banks makes them much more competitive in terms of interest rates offered to customer. However, SREI has an additional edge over banks with its end-to-end solution model which banks do not provide and vibrant take-out financing mechanism is also required for smooth asset-liability management by banks.

Higher cost of funding

Being a NBFC SREI's cost of funding has remained higher than that of the banks. With inflation on the rise and economy, SREI may face margin pressures if it is not able to pass on the same to its customers. Further, RBI's provision of non-securitization of assets in their first year of lending may also limit SREI's fund raising option.

AUM & Disbursements (In Rs Cr)

	Q1 2011	Q1 2012	Growth (%)
AUM	14,576	22,673	56%
Disbursements	3,243	5,148	59%

Table 1: Financial Statements

Income Statement

Rs Cr.	FY 2008	FY 2009	FY 2010	FY 2011
Income from operations	732.8	843.1	969.6	1609.3
Other income	67.9	8.4	2.6	2.2
Total income	800.7	851.5	972.2	1631.1
Operating expenses				
-Employee expenses	45.0	53.8	62.6	123.4
Profit before tax	152.8	104.9	217.7	288.9
Provision for tax	18.0	22.4	60.9	92.7
Profit after tax	134.7	82.6	156.8	196.1
EPS	12.2	7.1	13.5	7.7

Table 2: Consolidated Balance Sheet

Rs Cr.	FY 2007	FY 2008	FY 2009	FY 2011
Liabilities				
Equity capital	116.3	116.3	116.3	503.2
Reserves	606.6	1,033.1	1,173.4	2,564.8
Net worth	722.8	1,149.4	1,289.7	3,068.0
Total debt	5,544.5	4,282.3	6,569.6	10,064.1
Other liabilities	19.0	49.5	97.2	101.5
Total liabilities	6,286.4	5,481.2	7,956.5	13,307.4
Assets				
Fixed assets (net)	433.7	313.9	317.1	1,887.1
Cash and bank balance	279.3	483.1	291.0	317.6
Total assets	6,286.4	5,481.2	7,956.5	13,307.4

Research & Institutional Sales team

Amit Baheti	Head of Research	033-32607062	amit.baheti@aumcap.com
Ajay Binani	Banking and Finance	033-32014121	ajay.binani@aumcap.com
Arijit Malakar	Iron and Steel	033-32014121	arijit.malakar@aumcap.com
Vaibhav dave	Database/Production	033-32014121	vaibhav.dave@aumcap.com
Ritesh Churiwal	Institutional Sales Manager	022-4033 6908	ritesh.churiwal@aumcap.com
Devendra Gaikwad	Institutional Sales Manager	022-4033 6908	devendra.gaikwad@aumcap.com
Vivek Shukla	Institutional Sales Manager	022-4033 6908	Vivek.shukla@aumcap.com

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AUM CAPITAL MARKET PVT. LTD

Registered office: 5, Lower Rawdon Street, Akashdeep, 1st floor, Kolkata 700020, India. Tel: 91-33-2486 1040, Fax: 91-33-2476 0191