

Tantia Constructions Ltd.

₹ 52

*The Best of the East***Buy**

Gateway to Prosperity

February 17, 2012

Financial Performance

Tantia Constructions (TCL's) financial performance for the QE Dec 31, 2011 was below average. Net sales stood at ₹ 1.23 bn as against ₹ 1.6 bn during the Q3FY11. On sequential basis it posted a drop of 23% from ₹ 1.45 in Q2FY12. The operating margin of TCL improved during the quarter. It stood at 15.97% as against 14.8% in corresponding previous quarter. On QoQ basis it posted a jumped against a margin of 13.16% during Q2FY12. The main reason for it was a significant drop in purchase of traded goods. Consequently it posted a net profit of meagre ₹ 10.9 mn as against ₹ 15.6 mn during the Q2FY12. During the quarter, the company approved conversion of 8,50,000 out of total 24,50,000 Convertible Warrants into Equity Shares of ₹ 10 each at a premium of ₹ 74.25 per share pursuant to Conversion Notice received from the Warrant holders.

Investment Rationale**➔ Rights issue could ease the pressure on Balance Sheet**

The management of the company on February 13, 2012 approved the issuance of rights shares subject to the approval of SEBI. It has further decided to increase Authorized Share Capital from ₹ 300 mn to ₹ 400 mn. This is very crucial for the company as it could raise the money that could be used to fund its existing operations. It could ease the pressure on the balance sheet. As its debt to equity ratio stands at 3:1. It would also help improve margins .

➔ Steep discount in valuation

TCL has strong presence in the eastern & north eastern of the country. Its order books form almost 90% of the projects in the region. Its clientele is also dominated by PSUs & government departments. It's currently executing a wide range of infra & construction projects. This includes: construction of Jetty, water terminal, highways, hospital bridges, etc. Such diversified order book gives a strong revenue visibility in coming future. The EPS of TCL was ₹ 14.14 as on Mach 2011. However, considering its current price its P/E stands at around 3.5 which is at steep discount to industry average of nearly 11. The price to book ratio of the company stands at 0.54 as on Mar 2011.

Key Financials

Year Ended 31 st	Mar 09	Mar 10	Mar 11
Revenue (₹ mn)	4514.0	5637.7	6899.2
Rev. growth (%)	23.74	24.89	22.38
EBITDA (₹ mn)	561.6	664.1	855.8
Net profit (₹ mn)	172.6	185.5	272.5
Shares outstanding (mn)	15.6	16.4	16.4
EPS (₹)	11.1	11.3	16.6
EPS growth (%)	12.15	2.22	46.90
P/E (x)	2.9	10.5	4.2
EV/ EBITDA	12.6	33.5	18.3
ROCE (%)	10.11	10.16	14.16

Arpit Jain

aj@indiratrade.com

Previous Report

Date	: Aug 29, 2008
Recommendation	: Buy @ ₹ 68
Target Price	: ₹ 82
Target Reached on	: July 17, 2009

Market Data

52 Wk Range (₹)	: 76 / 31
Shares in Issue (mn)	: 16.4
Mkt. Cap (₹ bn)	: 0.84
BSE 2 Wk Avg Vol	: 11,000

Share Holding Pattern (%)

Promoters	: 53.76
DII's	: 8.28
FII's	: -
Others	: 37.96

Investment Theme

TCL is a leading infrastructure company in the eastern & north eastern part of India. It has been in business for more than a decade now. TCL has strong and diversified business portfolio & its order book has remained strong above ₹ 20 bn. It has been underperforming market due to higher leverage & expected downturn in the infra sector. However we believe it will do well on the exchange as the stock offers steep discount and the sector could perform well this year. Its management has approved issuance of rights share along with the increase in authorised capital of the company. This could get the cash required by the company and ease the pressure on the balance sheet. We remain bullish on the stock considering excellent revenue visibility in the near future & thus recommend to buy this stock.

The Right's Stock at the moment !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 09	Mar 10	% Chg	Mar 11	% Chg
Total Sales + Excise	4494.5	5611.7	24.86	6791.9	21.03
Other Income	19.5	26.0	33.33	107.7	314.23
Change in Stocks	156.4	91.6	(41.43)	144.4	57.64
Raw Material Con.	1665.4	2439.6	46.49	2355.0	(3.47)
Employee Exp.	130.8	153.9	17.66	174.1	13.13
Indirect Taxes	92.5	119.8	29.51	126.6	5.68
Other Exp.	2220.1	2351.9	5.94	3532.5	50.20
Operating Exp.	3952.4	4973.6	25.84	6043.8	21.52
Operating Profit	542.1	638.1	17.71	748.1	17.24
Total Interest	289.9	313.9	8.28	397.0	26.47
Gross Profit	271.7	350.2	28.89	458.8	31.01
Net Dep.	65.5	68.2	4.12	72.6	6.45
Total Taxation	33.6	96.5	187.20	113.7	17.82
Net Profit/Loss	172.6	185.5	7.47	272.5	46.90

4 Years Balance Sheet

(₹ mn)

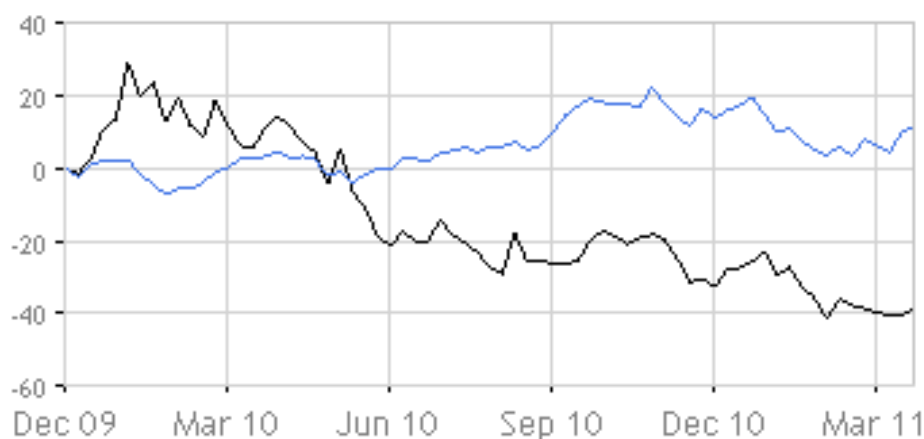
Balance Sheet as on 31 st	Mar 08	Mar 09	Mar 10	Mar 11
SOURCES OF FUNDS	2760.0	3365.0	4402.4	6058.8
Equity Share capital	155.7	155.7	163.7	163.7
Share Application Money	0.0	0.1	0.1	0.4
Preference Share Capital	1.4	1.4	1.4	1.4
Reserves & Surplus	790.4	945.5	1165.3	1390.0
Loan Funds	1221.1	1370.1	1997.9	2941.3
Unsecured Loans	591.4	892.2	1074.0	1562.0
USES OF FUNDS	2760.0	3365.0	4402.4	6058.8
Gross Block	2760.0	3365.0	4402.4	6058.8
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	210.0	275.1	342.2	410.6
Net Block	675.2	691.8	684.5	938.1
Capital Work in Progress	3.8	0.5	0.0	0.9
Investments	177.9	139.1	18.5	45.9
Current Assets	3586.3	4008.7	5357.5	6832.6
Less : Current Liabilities	1683.2	1475.1	1658.1	1758.7
Total Net Current Assets	1903.1	2533.6	3699.4	5073.9
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	177.9	139.1	18.5	45.9
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	2235.2	2399.0	5050.1	5668.9
Dividend (%)	15	15	15	25

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 11	Jun 11	Sep 11	Dec 11
Net Sales	2717.70	1490.40	1488.20	1228.97
Cost Of Sales	2535.40	1282.60	1262.40	1003.51
Operating Profit	182.30	207.80	225.80	225.46
Recurring Income	38.20	7.40	5.80	4.87
Adjusted PBDIT	220.50	215.20	231.60	230.33
Financial Expenses	116.00	143.00	173.40	184.98
Depreciation	19.50	24.00	29.70	28.94
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	85.00	48.20	28.50	16.41
Tax Charges	0.00	17.50	12.80	5.49
Adjusted PAT	85.00	30.70	15.70	10.91
Non Recurring Items	17.30	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	102.30	30.70	15.70	10.91

52 Week Index Relative Percentage Appreciation



TCL vs SENSEX

Economy Overview

- India's Northeast, also known as the land of the seven sisters, comprises the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura, which collectively account for about 8 per cent of the country's geographical area and roughly 4 per cent of its population.
- The Region, identified as most backward region in the country, requires more physical infrastructure, especially the road and communication. The region along with eastern states such as Jharkhand has known to have huge amount of mineral resources. Exploiting them could not only boost the state but also national economy. The area has been facing the problems of Naxalism for many decades now. And it has been over and again identified that the improving infrastructure is the key solution to address all three problems.
- The government has taken a number of steps to upgrade infrastructure in the North-East which in turn would enhance & support the quality of life for the people living in this region. 151 infrastructure projects at an estimated cost of ₹ 15.26 bn were sanctioned under the Non-Lapsable Central Pool of Resources (NLCP) scheme during 2010-11. Going forward, more such projects are expected due to strategic importance of the region.

In a Nutshell

TCL incorporated in 1964 is a leading infrastructure company in eastern India. It has a diverse project portfolio which includes among others Railways, Roads & Highways, Urban Infrastructure, Tunnels, Bridges and Marine Infrastructure. Over four decades of existence TCL has an unmatched track record of completing every single assignment. In recent years the company has executed a number of praiseworthy projects in the states of West Bengal, Assam, Bihar, Uttar Pradesh, Tamil Nadu, Kerala and Mizoram, and in neighbouring countries like Bangladesh, Nepal and Bhutan. TCL maintains high standard in quality and timely completion of projects, adopts latest innovation and dedicated services. The region has huge mineral reserves yet it has remained one of the most backward regions in the country. It offers great potential as there is an urgent need to develop infrastructure to exploit the resources in the region. The Company is now placing strong emphasis on bagging larger projects in all its business segments, besides foraying into BOT road projects. The management of the company recently approved the issuance of rights issue which will ease burden on its balance sheet. The company has underperformed the broader indices and offers huge discount considering its revenue visibility. We remain bullish on the company. Thus we recommend to buy this stock.

Indira Group Offices

Registered Office	: Singh House, 3rd Floor, 23/25 Ambalal Doshi Marg, Fort, Mumbai 400023
	Tel : +91-22-22656812 Fax : +91-22-22656985 Email : im@indiratrade.com
Administrative Office	: Ramavat House, E-15 Saket Nagar, Indore 452018
	Tel : +91-731-2566361 Fax : +91-731-2562117 Email : ii@indiratrade.com
Institutional Dealing Unit	: Africa House, 3rd Floor, 5 Topiwala Lane, Lamington Road, Mumbai 400007
	Tel : +91-22-30080675 Fax : +91-22-23870767 Email : ie@indiratrade.com

Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

Disclaimer

This document has been prepared by Indira Group of Companies (Indira). Indira and its associate companies are a full fledged retail and institutional broking group. Our research analysts and sales persons provide important input into our investment broking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Indira or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Indira and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Indira reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Indira is under no obligation to update or keep the information current. Nevertheless, Indira is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Indira nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The Analyst does not have any holding in this stock.