

IPO Note: **Sadbhav Infrastructure Projects Ltd.**

Industry: Infrastructure

Recommendation: Avoid

Date: August 28, 2015

Issue Snapshot

Company Name	Sadbhav Infrastructure Projects Ltd.
Issue Opens	August 31, 2015 to September 02, 2015
Price Band	Rs. 100 to Rs. 103
Bid Lot	145 Equity Shares and in multiples thereof.
The Offer	Public issue of 4.77 – 4.90 Crores Equity shares of Face value Rs.10 each, (Comprising of fresh issue of 4.13 – 4.25 Crores Equity Shares and Offer for Sale of 1,47,06,000 Equity Shares by Selling Shareholder).
Issue Size	Rs. 489.7 – 491.7 Crore (Fresh Issue: 425 Crores + Offer for Sale: 64.7 – 66.7 Crores)
IPO Process	100% Book Building
Face Value	Rs. 10.00
IPO Grading	NA
Exchanges	NSE & BSE
BRLM	Macquarie Capital Securities (India) Private Limited, Edelweiss Financial Services Limited, ICICI Securities Limited, Kotak Mahindra Capital Company Limited, Inga Capital Private Limited.
Registrar	Link Intime India Private Limited

Objects of the Offer

The company will not receive any proceeds of the Offer for Sale by the Selling Shareholder.

The objects of the Fresh Issue are:

- Repayment/pre-payment, in full or part, of certain loans availed by the Company from ICICI Bank Limited and SEL, the corporate Promoter;
- Equity investment and advancing of sub-ordinate debt to the subsidiary, SUTPL, for part financing of the SUTPL Project; and
- General corporate purposes.

Issue Break up

Issue Size	Allocation	Equity Shares*
QIB	75%	35,800,245
HNI	15%	7,160,049
RII	10%	4,773,366
Total	100%	47,733,660

* Based on higher price band @ Rs. 103

About the company

Sadbhav Infrastructure Projects (SIPL) is one of the leading road BOT companies in India, which specialises in development, operation and maintenance of highways, roads and related projects. SIPL, a subsidiary of Sadbhav Engineering (SEL), was incorporated in 2007 as a developer and operator for highways, road and related projects on a BOT basis. All of its projects are implemented and held through special purpose vehicles (SPV), including joint venture entities.

SIPL is involved in the development, operation & maintenance of national, state highways and roads across seven states in India including Maharashtra, Gujarat, Rajasthan, Karnataka, Haryana, Madhya Pradesh, Telangana and border check posts in Maharashtra. Furthermore, on an annual basis, SIPL is prequalified to bid either directly or through joint ventures for DBFOT projects worth up to | 2650 crore by NHAI up to December 31, 2015.

SIPL has a project portfolio consisting of 10 BOT projects of which six road projects are fully operational, one is a partially operational border check post and the remaining three are in various stages of development. Nine of the 10 BOT projects are toll projects (including user fee for the border check posts in Maharashtra) while the remaining is an annuity project. Furthermore, SIPL's operational projects cover approximately 1,531.16 lane km and projects under development cover ~1,061.48 lane km. In addition, as of May 31, 2015, SIPL's subsidiary MBCPNL completed 13 check posts and is developing nine more check posts for the MBCPNL project.

The company generate revenues primarily from toll collection, user fee and annuity receipts. The Company also provides operation and maintenance and advisory and project management services to projects. For the financial year ended March 31, 2015, consolidated revenue from operations and net loss amounted to Rs. 500.3 crore and Rs. 301.6 crore, respectively.

The company is solely engaged in BOT projects and the industry is highly capital intensive. The business has long gestation period thus require huge financing requirement. For the last three years, it has posted net loss due to high financing cost. The company has been earning operating cash flows on constant annuity basis and once the debt get de leveraged, the real earnings growth would start reflecting in the bottom line. Hence, the IPO is highly priced and one can purchase the scrip from secondary market at much lower price, when the fair value of scrip will start reflecting. We advice our investors to **AVOID** this Public Issue.

Consolidated Financial Statement

(In Rs. Cr)	FY11	FY12	FY13	FY14	FY15
Share Capital	26.4	26.4	28.3	28.3	311.0
Net Worth	702.1	846.9	971.0	820.4	788.2
Long Term Borrowings	1,314.4	2,761.5	3,577.8	4,501.0	5,706.2
Other Long Term Liabilities	27.2	39.2	429.6	2,279.1	2,332.6
Short-term borrowings	0.0	29.8	65.4	400.7	497.7
Other Current Liabilities	160.0	189.8	182.3	434.1	513.6
Fixed Assets	1,680.0	3,318.7	4,744.1	7,780.8	9,012.8
Non Current Assets	441.8	427.7	445.3	622.5	538.4
Current Assets	179.6	246.8	195.2	218.5	344.1
Total Assets	2,301.4	3,993.3	5,384.6	8,621.9	9,895.2
Revenue from Operations	69.5	176.0	287.2	371.1	500.3
Revenue Growth (%)		153.2%	63.2%	29.2%	34.8%
EBITDA	65.0	115.9	197.8	263.2	336.6
EBITDA Margin (%)	93.49%	65.88%	68.87%	70.92%	67.28%
Net Profit	9.9	9.8	-45.7	-155.9	-301.6
Net Profit Margin (%)	14.22%	5.57%	-15.90%	-42.02%	-60.28%
Earnings Per Share (Rs.)	0.33	0.32	-1.48	-5.05	-9.74
Return on Networth (%)	1.41%	1.16%	-4.71%	-19.06%	-38.26%
Net Asset Value per Share (Rs.)	22.81	27.52	31.38	26.5	25.35

Source: RHP, Ashika Research

Comparison with listed industry peers

Name of the company	Face value (Rs.)	P/E (x)
IL & FS Transportation Networks Limited	10	13.60
IRB Infrastructure Developers Limited	10	15.04
Ashoka Buildcon Limited	5	34.70
Gammon Infrastructure Projects Limited	2	NA

Source: RHP, Ashika Research

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