

February 25, 2013

**LANCO INTRATECH LTD.**

BSE Code: 532778

NSE Code: LITL

Reuters Code:

LAIN.NS

Bloomberg Code: LANCI:IN

Lanco Infratech Limited (LITL), incorporated on 26th March 1993, is engaged in construction development sector including the execution of various civil contract works and also had involvement in power sector through its group entities. The company operates in five business segments - EPC and construction, power, property development, infrastructure, resources and other segments. In FY'12, LITL has successfully completed the construction of 1,200 megawatts (MW) Anpara project and 600 megawatts of unit one Udupi Power Project and has acquired maiden international EPC order in Iraq.

### Investor's Rationale

**Posted 15.2% YoY rise in revenue on higher growth in power business**

LITL reported a growth of 15.2% YoY in consolidated revenue at ₹34.9 bn in Q3FY'13 on account of an upside in revenue from the power segment by 94.7% to ₹25.3 bn due to contribution from additional power capacity commissioned in the last 12 months. Revenue from resources and property development business segments grew by 28.4% and 164.2% YoY to ₹2.1 bn and ₹0.5 bn, respectively. However, revenue from the EPC and construction segment remained down by 70.3% to ₹9.3 bn due to weak order book which stands at ₹276.0 bn (including power and solar projects).

**Registered net loss of ₹4.6 bn in Q3FY'13**

The company reported a net loss of ₹4.6 bn in Q3FY'13, as against a net profit of ₹0.6 bn in the same period a year ago. The company's performance was impacted by delays in receivables from power utilities which have piled up to ₹35.3 bn, high financial cost cutting into margins and foreign exchange losses of ₹0.43 bn. Interest rate as well as depreciation grew massively by 151.1% and 103.2% YoY to ₹6.7 bn and ₹3.1 bn respectively.

**EBITDA margin contracted massively by 366bps on higher operational expenses**

LITL's EBITDA fell 6.0% YoY to ₹5.7 bn driven by increase in raw material cost and purchases of goods traded (as a percentage of sales) by 1,237bps and 1,067bps YoY to 46.7% and 17.4%, respectively. Consequently, OPM fell 366bps YoY to 16.2% from 19.9%.

**Major developments**

The company has entered into long term power supply pact with distribution companies in Madhya Pradesh for sale of 300 MW from Lanco Amarkantak thermal power station. LITL's subsidiary, Udupi Power Corporation has commenced commercial operations at its imported coal based Thermal Power Project. LITL plans to sell stakes in its three coal-fired power plants to Genting Bhd which are operating a total 3,240 MW.

### Market Data

CMP (₹)	11.6
Target Price	14
Stop Loss	10.5
Duration	Short-term
52-week High-Low (₹)	23.1/10.5
Rise from 52WL (%)	10.5
Correction from 52WH (%)	(49.8)
Beta	1.9
1 year Average Volume (mn)	77.9
Stock Return (%)	3M- (4.1) 6M- (1.3) 1Y- (45.9)
Market Cap (₹bn)	27.9
Book Value	14.9

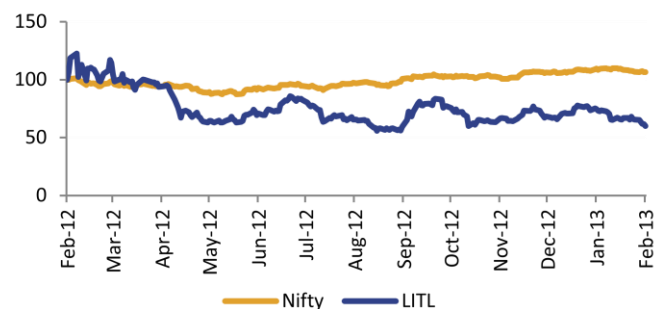
### Shareholding Pattern

	Dec'12	Sep'12	Chg
Promoters (%)	70.8	72.0	(1.2)
FII (%)	3.0	3.6	(0.6)
DII (%)	2.2	3.0	(0.8)
Public & Others (%)	24.0	21.4	2.6

### Quarterly Performance (Consolidated)

(₹bn)	Q3 FY'13	Q3 FY'12	Q2 FY'13	YoY Change(%)	QoQ Change(%)
Revenue	34.9	30.3	31.9	15.2	9.5
Op. exp	29.2	24.3	26.6	20.4	9.7
EBITDA	5.7	6.0	5.2	(6.0)	8.7
OPM (%)	16.2	19.9	16.4	(366bps)	(12bps)
Net profit	(4.6)	0.6	(1.4)	-	-
NPM (%)	-	2.0	-	-	-
EPS (₹)	(2.0)	0.3	(0.6)	(833.3)	241.4

### One Year Price Chart





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