

Industry Eng. & Cons.  
Bloomberg SADE IN  
BSE CODE 532710

**Execution is expected to pick up**

RATING	BUY
CMP	221
Price Target	339
Potential Upside	53%

Rating Change	↔
Estimate Change	↓
Target Change	↓

## Stock Info

52wk Range H/L	438/190
Mkt Capital (Rs Cr)	3799
Free float (%)	54%
Avg. Vol 1M (,000)	184
No. of Shares	17
Promoters Pledged %	35

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## Key Highlights

- Company has tied up with banks for all the HAM projects and expect to take appointment date of 5 projects (2 HAM and 3 EPC) in Q3FY19 and rest 4 HAM projects will start from Q4FY19 onwards.
- Land availability on Jodhapur Ring road is 90%, Bhimasar is <80%, Vododara Kim is 75%, Tumkur Shivmoga is 65%, Vizag is 80% but facing some forest clearance issue and Gadag to Honnali entire land is in place.
- During the quarter company has secured orders worth Rs.1350 Cr which includes 2 road EPC projects worth Rs.1152 Cr and one small Irrigation project of Rs. 197 Cr.
- The quarter witnessed change in revenue mix with key contribution in revenue shifting from EPC to BOT/HAM as result of it EBITDA has improved by 70 bps.

## 2Q FY19 Results

Q2FY19 was a healthy quarter for the company, it registered a growth of 11.60% YoY to Rs.691 excluding GST, the BoT and HAM projects were the major contributor to the revenue. EBITDA during the quarter grew by 5.8% YoY and report 70 bps improvement in margin on account of change in revenue mix. PAT for the quarter was up by 14.3%YoY to Rs.38 Cr, while PAT margin during the quarter was 5.5%. The company has secured new orders worth Rs.1350 Cr. Order book at the end of Q2FY19 stood at Rs 13743 Cr with the transportation sector order book contributing around 80%.

## View and Valuation

Timely financial closure of HAM projects and 70-80% land availability on most of the projects ensure healthy revenue growth going forward. Management expects to take appointment date for a couple of HAM projects in Q3FY19 and rest of the projects in Q4FY19. With increasing contribution from HAM projects EBITDA margin will continue to remain strong at 12%. Management's continuous focus on strengthening the Balance sheet will keep borrowings under check. Additionally, SADBHAV is yet to utilize mobilization advances of Rs.700-750 Cr. **Considering the election in the first half of next fiscal, we have trimmed down our revenue estimate for FY20E by 13%. However, revenue growth is expected to come back strongly in the second half of FY20E and we have estimated Revenue/PAT CAGR growth of 20/10% over FY18-FY20E. We value the stock at Rs.339 and maintain the BUY rating on the stock (EPC business at 14x FY20 EPS and Rs.120 per share for SIPL business.).**

## Key Risks to our rating and target

- Delay in appointment date
- Slow down in NHAI tendering

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	3186	3320	3505	3985	5081
EBITDA	335	356	415	462	619
EBIT	238	256	317	370	526
PAT	132	188	221	277	268
EPS (Rs)	8	11	13	16	16
EPS growth (%)	17%	40%	19%	25%	-3%
ROE	9%	11%	12%	13%	11%
ROCE	9%	8%	10%	10%	13%
BVPS	87	97	109	124	138
P/B (X)	3.4	3.2	3.6	1.8	1.6
P/E (x)	38.5	28.1	30.1	13.7	14.2

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## 2Q FY 19 Results

## Decent Quarter

Financials	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	YoY %	QoQ%	H1FY18	H1FY19	YoY %
Net Sales	693	935	1,104	911	691	0%	-24%	1,637	1,602	-2.2%
Other Income	1	7	4	11	7	1139%	-39%	4	17	292.4%
COGS	555	773	893	743	549	-1%	-26%	1,299	1,293	-0.5%
Employee Exp.	32	38	55	42	35	11%	-17%	63	77	23.7%
Other Exp.	28	18	32	19	23	-17%	24%	91	42	-54.1%
Total Exp.	614	829	980	804	607	-1%	-25%	1,452	1,412	-2.8%
EBITDA	79	106	124	107	83	6%	-22%	186	190	2.6%
Depreciation	25	25	24	24	24	-3%	1%	50	48	-2.3%
EBIT	54	81	100	83	59	10%	-29%	136	142	4.4%
Intreset	22	29	35	26	27	27%	6%	54	53	-1.3%
Except.Item	-	-	-	-	-	NA	NA	-	-	NA
PBT	33	60	70	68	38	17%	-44%	87	106	22.7%
Tax	(1)	(2)	(0)	5	(0)	-98%	NA	(2)	5	NA
PAT	33	62	70	63	38	14%	-40%	89	102	14.3%

**Decent Revenue growth, Improvement in EBITDA margins**

The company during the quarter had a decent revenue growth of 11.60% YoY with major contributor being the BOT/HAM segment that contributed Rs 459 Cr almost 78% of total revenue. Revenue from Bot/HAM jumped five times to Rs. 459 Cr compared to Rs.74 Cr on account of execution ramp up on projects under construction. BRT tiger reserve and Udaipur Bypass were the main contributor to the revenue. The EPC project contributed Rs 189 Cr as compared to Rs 540 Cr in 2QFY18 on due to lower executable orders in hand. While revenue from Mining and Irrigation segment was down by 48% each on account of monsoon season. The EBITDA margin has also expanded by 70 bps as the revenue mix change towards HAM/BoT projects which has higher margin compared to EPC projects. The company had a PAT growth of 14.4% YoY. Company has secured new orders worth Rs.1350 Cr. Order book at the end of Q2FY19 stood at Rs 13743 Cr with transportation sector order book contributing around 80%.

**Execution is expected to pick up**

Company has completed financial closure of all the 6 HAM projects and waiting for the appointment date. Management expect to take appointment date of 2 HAM and 3 EPC projects in Q3FY19 and execution will start immediately. Appointment date of 4 HAM projects are expected to receive by the year end. Currently land availability on on Jodhpur Ring road is 90%, Bhimasar is <80%, Vododara Kim is 75%, Tumkur Shivmoga is 65%, Vizag is 80% but facing some forest clearance issue and Gadag to Honnali entire land is in place. Management is confident about strong revenue growth in H2FY19 and had guided to do Rs.4000 Cr of top line for FY19. With increasing contribution from HAM projects EBITDA margin is expected to remain north of the 12%.

**Concall Highlights**

- EBITDA margin during the quarter has increased due to change in revenue mix, in 2QFY19 67% was contributed by HAM projects, while in 2QFY18 the EPC a projects contributed 78%.
- During Q2FY19 the company has raised Rs 190 Cr by way of NCD which are utilised to pay outside consortium short term money which is utilised by the company.
- Land acquisition status in jodhpur ringroad project in more than 90%, in Bhimasur bhuj it is below 80%, Vadodara Kim project has 70-75% land, Tumkur Shimoga project has 50-55% Land available, in Vizag port around 80% of land is available but there is issue in regard to forest clearance.
- Company has received Rs 243 Cr out of Rs 433 Cr outstanding from the 5 major projects. The balance is expected to receive in next couple of month.
- Mobilisation advance is due of 775 Cr from the 8 projects where the execution is yet to be started.
- The company expects the execution of 5 projects worth Rs 4593 Cr in Q3FY19, the four projects worth Rs 3325 Cr is expected to start post Q3FY19.
- Company is L1 in one irrigation project worth Rs 198 Cr in which it is yet to receive LOI.
- Company has guided for Revenue growth of 12% FY 19 and 18-20% for FY 20, The EBITDA margins for FY19 is expected to be around 12%.
- Debt levels at the end of FY19 could be around Rs 1400 Cr. The management expects interest cost for FY19 to be around Rs 100 Cr.

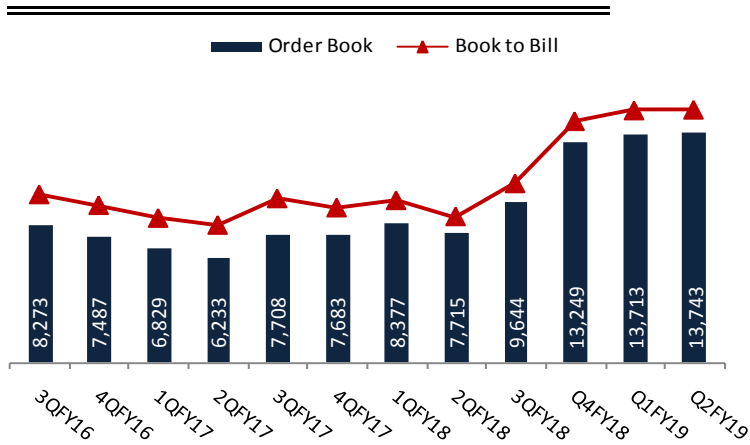
## Revenue breakup

	4QFY17	1QFY18	2QFY18	3QFY18	Q4FY18	Q1FY19	Q2FY19	YoY (+/-)	QoQ (+/-)
Transportation									
BOT & HAM	146	208	74	254	740	549	459	522%	-16%
EPC	678	615	540	541	138	272	189	-65%	-30%
Irrigation	125	80	30	55	120	37	16	-48%	-58%
Mining	78	39	48	84	105	50	24	-49%	-51%
Others	5	3	2	1	2	4	2	24%	-47%
<b>Total</b>	<b>1,033</b>	<b>944</b>	<b>693</b>	<b>935</b>	<b>1,104</b>	<b>911</b>	<b>691</b>	<b>0%</b>	<b>-24%</b>

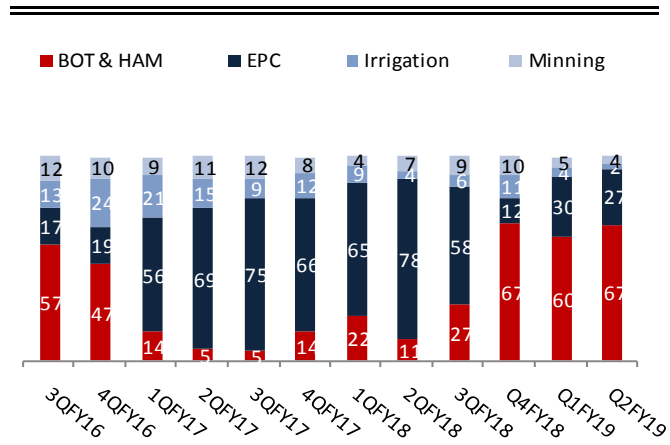
## Order book breakup

	4QFY17	1QFY18	2QFY18	3QFY18	Q4FY18	Q1FY19	Q2FY19	YoY %	QoQ %
Transportation									
BOT & HAM	3,204	4,605	4,541	5,311	8,138	8,592	7,453	64%	-13%
EPC	1,793	1,181	695	1,290	2,637	2,413	3,672	428%	52%
Irrigation	990	912	896	863	454	420	352	-61%	-16%
Mining	1,697	1,679	1,583	2,180	2,020	2,288	2,267	43%	-1%
<b>Total</b>	<b>7,683</b>	<b>8,377</b>	<b>7,715</b>	<b>9,644</b>	<b>13,249</b>	<b>13,713</b>	<b>13,743</b>	<b>78%</b>	<b>0%</b>

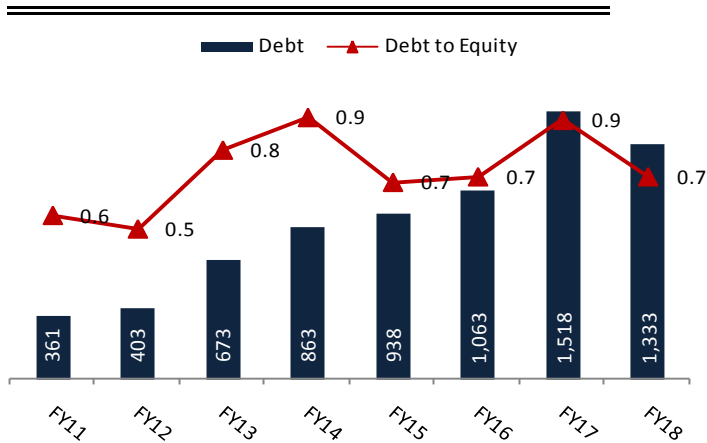
### Exhibit: Order book and book to bill trend



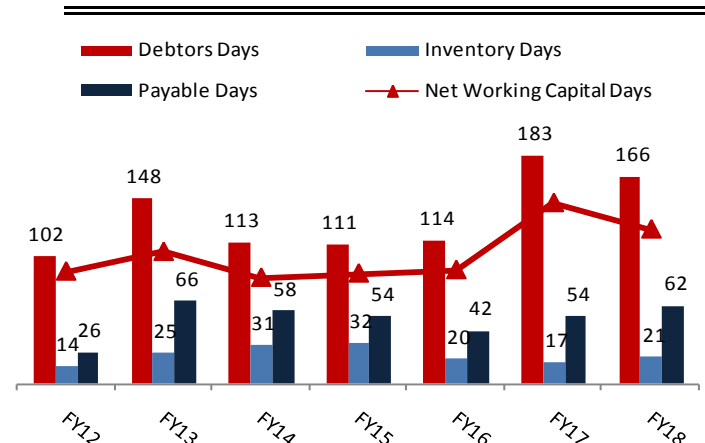
### Exhibit: Revenue Contribution (%)



### Exhibit: Debt to Equity



### Exhibit: Working Capital Trend



## Financial Details

## Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operation	1,811	2,358	2,970	3,186	3,320	3,505	3,985	5,081
Change (%)	-32%	30%	26%	7%	4%	6%	14%	28%
<b>EBITDA</b>	<b>156</b>	<b>249</b>	<b>300</b>	<b>335</b>	<b>356</b>	<b>415</b>	<b>462</b>	<b>619</b>
Change (%)	-46%	60%	21%	12%	6%	17%	11%	34%
Margin (%)	9%	11%	10%	11%	11%	12%	12%	12%
Depr & Amor.	32	47	82	97	100	98	92	93
<b>EBIT</b>	<b>124</b>	<b>202</b>	<b>219</b>	<b>238</b>	<b>256</b>	<b>317</b>	<b>370</b>	<b>526</b>
Int. & other fin. Cost	84	118	138	151	153	191	148	167
Other Income	10	37	66	97	88	90	68	47
<b>EBT</b>	<b>50</b>	<b>120</b>	<b>146</b>	<b>184</b>	<b>190</b>	<b>216</b>	<b>290</b>	<b>406</b>
Exp Item	(61)	38	-	19	-	-	-	-
Tax	37	(24)	32	33	2	(4)	14	138
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
<b>Reported PAT</b>	<b>74</b>	<b>106</b>	<b>114</b>	<b>133</b>	<b>186</b>	<b>221</b>	<b>277</b>	<b>268</b>
<b>Adjusted PAT</b>	<b>90</b>	<b>60</b>	<b>114</b>	<b>117</b>	<b>186</b>	<b>221</b>	<b>277</b>	<b>268</b>
Change (%)	-47%	-33%	89%	3%	60%	19%	25%	-3%
Margin(%)	5%	3%	4%	4%	6%	6%	7%	5%

## Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	15	15	17	17	17	17	17	17
Reserves	817	919	1,335	1,472	1,644	1,850	2,107	2,356
Networth	833	934	1,352	1,489	1,661	1,867	2,124	2,373
Debt	673	863	938	1,063	1,518	1,333	1,479	1,670
Other Non Cur Liab	112	87	58	3	10	8	8	8
Total Capital Employed	1,145	1,356	1,910	1,982	1,967	2,153	2,769	3,152
Net Fixed Assets (incl CWIP)	330	498	536	593	523	503	529	536
Non Cur Investments	538	521	531	563	569	577	627	677
Other Non Cur Asst	524	1,000	1,124	700	665	694	720	727
Non Curr Assets	1,393	2,019	2,191	1,856	1,758	1,774	1,877	1,940
Inventory	102	164	213	141	123	164	233	297
Debtors	736	732	907	999	1,665	1,592	1,692	2,088
Cash & Bank	22	76	35	17	23	13	20	58
Other Curr Assets	568	535	715	1,076	974	1,331	1,278	1,459
Curr Assets	1,428	1,507	1,870	2,232	2,786	3,100	3,223	3,902
Creditors	329	376	441	370	491	599	681	863
Provisions	216	121	162	4	2	3	3	4
Other Curr Liab	330	625	573	566	338	561	688	877
Curr Liabilities	873	1,120	1,177	940	831	1,163	1,372	1,744
Net Curr Assets	555	387	693	1,293	1,954	1,937	1,851	2,158
Total Assets	2,491	3,028	3,525	3,495	4,020	4,371	4,570	5,306

## Financial Details

## Cash Flow

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	74	106	114	134	188	221	290	406
(inc)/Dec in Working Capital	(107)	251	(296)	(110)	(442)	311	93	(269)
Non Cash Op Exp	32	47	82	85	100	98	92	93
Int Paid (+)	76	118	138	151	153	191	148	167
Tax Paid	49	49	59	66	(23)	82	14	138
others	41	(11)	(15)	(29)	(74)	(84)	-	-
CF from Op. Activities	66	462	(37)	164	(51)	653	609	259
(inc)/Dec in FA & CWIP	(72)	(222)	(158)	(114)	(38)	(98)	(118)	(100)
Free Cashflow	(6)	240	(195)	50	(89)	556	491	159
(Pur)/Sale of Inv	3	0	(1)	(0)	-	-	-	-
others	(263)	(346)	(93)	4	119	(57)	(50)	(50)
CF from Inv. Activities	(332)	(568)	(252)	(111)	81	(155)	(168)	(150)
inc/(dec) in NW	3	4	315	0	0	-	-	-
inc/(dec) in Debt	310	258	66	112	375	(292)	146	191
Int. Paid	84	118	132	150	153	191	148	167
Div Paid (inc tax)	10	11	12	14	14	15	19	19
others	3	27	315	0	0	-	-	-
CF from Fin. Activities	218	157	237	(52)	(35)	(499)	(21)	5
Inc(Dec) in Cash	(48)	51	(52)	1	(5)	(1)	420	115
Add: Opening Balance	55	6	58	6	8	2	13	20
Closing Balance	6	58	6	8	2	2	433	135

## Key Ratio

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	9%	11%	8%	9%	11%	12%	13%	11%
ROCE	8%	11%	10%	9%	8%	10%	10%	13%
Asset Turnover	0.73	0.78	0.84	0.91	0.83	0.80	0.87	0.96
Debtor Days	148	113	111	114	183	166	155	150
Inv Days	25	31	32	20	17	21	21	21
Payable Days	66	58	54	42	54	62	62	62
Int Coverage	1	2	2	2	2	2	3	3
P/E	24	14	50	39	28	30	14	14
Price / Book Value	2	2	4	3	3	4	2	2
EV/EBITDA	13	7	21	17	16	17	10	7
FCF per Share	(0)	16	(11)	3	(5)	32	29	9
Div Yield	0.5%	0.7%	0.2%	0.2%	0.2%	0.2%	0.4%	0.4%

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