

India Equity Analytics

Results Preview Q3FY20 - Infrastructure

Narnolia[®]

Analyst

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AHLU IN

CMP 287
Target 277
Upside -3%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	19%	16%	14%	16%
Roce%	31%	26%	21%	22%
EV/Ebdita	11.1	9.4	8.5	7.0
P/E	21.8	18.6	16.1	12.4
P/B	4.0	3.0	2.3	2.0

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Order Inflow	1,505	4,691	3,185	2,200	1,425	1,555	600
Order Book	3,074	6,038	6,354	6,490	5,337	6,225	6,358
<i>Financial</i>							
Sales	1,647	1,752	1,810	2,074	419	417	469
Sales Gr%	15%	6%	3%	15%	16%	-5%	12%
Ebdita	219	216	201	249	50	38	54
Ebdita Gr%	27%	-1%	-7%	24%	-24%	-40%	13%
Net Profits	115	117	120	155	27.0	13	35
Profit Gr%	32%	2%	2%	29%	-8%	-60%	30%
Ebdita Margin%	13.3%	12.3%	11.1%	12.0%	11.9%	9.2%	11.5%
Net Profit Margin%	7.0%	6.7%	6.6%	7.5%	6.4%	3.0%	7.5%

Conso/Fig in Rs Cr

- Company is expected report revenue Rs 469 Cr growing at 12% YoY. Growth will be driven by stronger order book.
- Lease rental revenue from Kota BoT asset is expected to be Rs 80 lakh per month.
- EBITDA Margin is expected to remain stable at 11.5%.
- Growth in PAT is expected to grow be 30% to Rs 35 Cr due to lower tax rate from 35% to 24%. Lower tax rate will improve margin to 7.5%.
- Order Inflow in 3QFY20 is likely to remain subdued on account of slower allotment of projects.
- Lucknow Charbag Railway station redevelopment project worth Rs 540 Cr is still facing issue due to some policy related issues.
- Gardanibagh project in Patna of Rs 519 Cr is stuck due to environment clearance and expected to start in Jan or Feb.
- Mohammadpur redevelopment project in Delhi worth Rs 255 Cr is facing environmental issues.

Key Trackable this Quarter

- Status of Lucknow Charbag redevelopment project of NBCC
- Status of Gardanibagh project in Patna

We value the stock at 12x FY21E EPS. NEUTRAL

ASBL IN

CMP 109
Target 122
Upside 12%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	12%	13%	14%	14%
Roce%	12%	15%	14%	13%
EV/Ebdita	0.1	0.3	0.3	0.3
P/E	16.7	12.2	8.8	7.9
P/B	2.1	1.6	1.2	1.1

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Order Book							
Roads BOT	2237	4620	4124	4470	4893	3815	5170
Roads EPC	2019	2124	2816	2715	2542	1809	2465
Power T&D	1593	914	1294	1325	2102	716	831
Railway	0	720	500	1029	0	1068	958
<i>Gross Toll Collection</i>	<i>965</i>	<i>967</i>	<i>978</i>	<i>1002</i>	<i>236</i>	<i>231</i>	<i>253</i>
<i>Financials</i>							
Sales	2463	3821	4561	5291	1065	822	1297
<i>Sales Gr%</i>	<i>22%</i>	<i>56%</i>	<i>19%</i>	<i>16%</i>	<i>62%</i>	<i>8%</i>	<i>22%</i>
Other Income	98	116	129	146	25	39	28
Ebdita	293	515	571	612	149	123	153
<i>Ebdita Gr%</i>	<i>21%</i>	<i>76%</i>	<i>11%</i>	<i>7%</i>	<i>99%</i>	<i>19%</i>	<i>3%</i>
Net Profits	237	286	349	390	62	73	96
<i>Profit Gr%</i>	<i>35%</i>	<i>21%</i>	<i>22%</i>	<i>12%</i>	<i>32%</i>	<i>17%</i>	<i>54%</i>
Adj Net Profits	237	252	349	390	31	73	96
<i>Profit Gr%</i>	<i>35%</i>	<i>6%</i>	<i>38%</i>	<i>12%</i>	<i>-34%</i>	<i>17%</i>	<i>209%</i>
Ebdita Margin%	12.0%	13.5%	12.5%	11.6%	14.0%	14.9%	11.8%
Net Profit Margin%	9.7%	7.5%	7.6%	7.4%	5.8%	8.8%	7.4%

Std/Fig in Rs Cr

- ❑ 3QFY20 revenue is expected to grow by 22% on back of healthy order book.
- ❑ Gross toll collection is likely to post steady growth of 7% YoY in 3QFY20.
- ❑ Adjusted EBITDA margin is expected to 11.8% and absolute EBITDA will grow by 16% YoY as 3QFY19 includes Rs 17 Cr of one offs.
- ❑ Adjusted PAT is expected to grow by 209% YoY to Rs 96 Cr, Rs 40 Cr of extra ordinary item recorded in 3QFY19.
- ❑ Appointment date on HAM projects namely Tumkur Shivamoga IV is expected to receive. Land availability is 40% on 3H basis respectively.
- ❑ Ashoka Concessions assets are under monetisation and CPPIB is the front runner to buy all the assets at estimated enterprise value of Rs 5,500-6000 Cr.
- ❑ Order Inflow during the quarter amounts to Rs 2300 Cr approx.
- ❑ Exit of the PE investor (SBI-Macquarie) is due for the long time and it will continue to remain over hang on the stock.

Key Trackable this Quarter

- ❑ Appointment date of Tumkur Shivamoga IV HAM projects in Karnataka
- ❑ Asset Monetisation
- ❑ Trade receivables from power T&D

We value the stock on SoTP basis at Rs.122. BUY

CAPACITE IN

CMP 185
Target 210
Upside 13%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	11%	12%	14%	14%
Roce%	17%	18%	17%	19%
EV/Ebdita	10.2	6.4	4.2	3.5
P/E	25.8	16.2	9.5	7.9
P/B	2.7	1.9	1.3	1.1

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Order Inflow	2,722	3,637	5,640	2,597	1,346	4,520	202
Order Book	5,682	7,177	10,414	10,616	7,519	11,137	10,838
<i>Financials</i>							
Sales	1,341	1,798	1,935	2,395	449	405	501
Sales Gr%	16%	34%	8%	24%	23%	-9%	12%
Ebdita	204	251	305	363	62	67	69
Ebdita Gr%	0%	23%	21%	19%	24%	4%	12%
Net Profits	80	97	133	159	24	40	28
Profit Gr%	14%	22%	37%	19%	5%	73%	19%
Ebdita Margin%	15.2%	14.0%	15.8%	15.2%	13.8%	16.6%	13.8%
Net Profit Margin%	5.9%	5.4%	6.9%	6.6%	5.3%	9.8%	5.7%

Std/Fig in Rs Cr

- ❑ 12% YoY revenue growth is expected in 3QFY20 led by the strong execution of ongoing projects.
- ❑ EBITDA margin is expected to remain stable at 13.8%.
- ❑ PAT is expected to grow by 19% YoY to Rs 28 Cr and PAT M will be higher by 40 bps.
- ❑ In last quarter company has secured one large project of Rs 4520 Cr from the CIDCO. Of the total 7 location, 3 location has been handed over to company and reaming 4 location are expected to hand over in Q3FY20. The work is likely to start from next financial year.
- ❑ Order inflow will be NIL in the Q3FY20 as the company is focused on the execution of robust order book of Rs 11000 Cr ex MHADA order book of Rs 4355 Cr.

Key Trackable this Quarter

- ❑ Cash collection from clients
- ❑ Progress on the Existing private players orders (52% of the total order book)
- ❑ Status of CIDCO project

We value the stock at 9x FY21E EPS. BUY

DBL IN

CMP 413
Target 473
Upside 15%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	25%	24%	17%	18%
Roce%	32%	30%	30%	31%
D/E	1.1	1.0	0.9	0.8
P/E	22.2	8.7	8.4	6.7
P/B	5.6	2.1	1.5	1.2

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Order Book	23,931	21,172	21,030	20,677	23,142	20,389	23,802
<i>Gross Revenue</i>							
Roads & Bridges	6,578	8,014	8,465	9,730	2,181	1,548	2,271
Irrigation	161	38	98	503	-	-	28
Urban Development	32	111	34	65	24	4	6
Mining	841	940	1,489	1,843	283	197	468
Metro	-	-	55	212	-	-	21
<i>Financials</i>							
Sales	7,746	9,118	10,360	12,410	2487	1809	2835
Sales Gr%	52%	18%	14%	20%	28%	11%	14%
Ebdita	1,403	1,604	1,885	2,219	441	321	515
Ebdita Gr%	41%	14%	18%	18%	28%	14%	17%
Net Profits	620	765	647	847	207	58	192
Profit Gr%	72%	23%	-15%	31%	26%	-30%	-7%
EbditaM%	18.1%	17.6%	18.2%	17.9%	17.7%	17.8%	18.2%
Net Mgn%	8.0%	8.4%	6.2%	6.8%	8.3%	3.2%	6.8%

Std/Fig in Rs Cr

- ❑ 3QFY20 revenue growth is expected to be 14% on back of the strong order book.
- ❑ EBITDA margin will be 18.2% compared to 17.7%.
- ❑ Due to higher tax rate PAT is expected to de-grow by 7% YoY and PAT M is expected to contract by 150 bps.
- ❑ Airport, Coal mine projects, Bundelkhand and Gorakhpur Express will start in 4QFY20.
- ❑ NHAI has project pipeline of Rs 60k Cr of which Rs 35k Cr are under HAM and Rs 25k Cr of projects under EPC for which bid is pending and conclude by Jan 2020.
- ❑ During the quarter company has received appointment date for Nidagatta-Mysore and Bellary Byrapura HAM projects and work has started. Additionally, DBL has signed execution concession agreement for the Bundelkhand Expressway.
- ❑ Order inflow during the quarter was approx Rs 6100 Cr of which Rs 826 Cr of Delhi Metro projects is not yet confirmed.

Key Trackable this Quarter

- ❑ Execution of ongoing projects
- ❑ NHAI ordering activity

We value the stock on SoTP basis (EPC business at 7x FY21 EPS and Rs40/share for HAM business). BUY

IRB IN

CMP **75**
Target **82**
Upside **9%**
Rating **NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	16%	13%	12%	7%
Roce%	11%	11%	11%	7%
D/E	2.3	2.5	2.4	2.5
P/E	10.3	6.4	3.2	5.2
EV/Ebdita	7.5	6.2	5.5	7.8

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Order Book	15,080	11,077	11,123	13,677	12,167	11,381	10,008
<i>Revenue</i>							
EPC	3,964	4,628	4,954	3,446	1,253	1,330	1,373
BOT	1,847	2,110	1,865	1,636	532	416	408
<i>Financials</i>							
Sales	5,694	6,707	6,777	5,082	1,789	1,752	1,781
Sales Gr%	-3%	18%	1%	-25%	38%	22%	0%
Ebdita	2,679	2,937	2,974	2,354	760	747	726
Ebdita Gr%	-12%	10%	1%	-21%	21%	12%	-5%
Net Profits	920	850	815	505	219	200	215
Profit Gr%	29%	-8%	-4%	-38%	6%	16%	-2%
Ebdita Margin%	47.1%	43.8%	43.9%	46.3%	42.5%	42.7%	40.8%
Net Profit Margin%	16.2%	12.7%	12.0%	9.9%	12.2%	11.4%	12.1%

Conso/Fig in Rs Cr

- ❑ Revenue is expected to have flat growth due to decline in toll collection. Toll collection is expected to de-growth by 23% YoY due to end in contract of Mumbai Pune project. EPC revenue is expected to grow by 10%.
- ❑ EBITDA is expected to de-grow by 5% YoY and margin contracting by 170 bps on account of change in revenue mix.
- ❑ PAT growth is expected to de-growth by 2% YoY on account of higher interest cost.
- ❑ During the quarter company received official communication from NHAI about the termination of 2 projects in tamil nadu.
- ❑ Goa Kundapur expects to receive PCOD in month time.
- ❑ Company has approved issuance of Secured, Redeemable, Unlisted NCDs amounting to Rs. 1,400 Cr on a private placement basis. NCDs will bear current interest rate of 11.75% per annum; 50% of this issue has been subscribed by GIC affiliate and balance 50% by our subsidiary - limiting net external borrowings to Rs 700 Cr.

Key Trackable this Quarter

- ❑ Toll collection on under construction projects
- ❑ Order Inflow

We value the stock at 8x EV/EBITDA. NEUTRAL

KNRC IN

CMP 264
Target 227
Upside -14%
Rating NEUTRAL

	FY18	FY19	FY20E	FY21E
Roe%	23%	19%	16%	15%
Roce%	18%	16%	16%	17%
EV/Ebdita	10.8	9.8	7.6	6.5
P/E	14.7	15.2	13.5	12.7
P/B	3.4	2.8	2.2	1.9

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Order Book	2,327	4,016	4,023	4,402	1,541	5,147	4,963
<i>Financials</i>							
Sales	1,932	2,137	2,483	3,121	448	546	589
Sales Gr%	25%	11%	16%	26%	4%	31%	31%
Other Income	39	63	55	39	22	26	6
Ebdita	386	427	504	588	90	126	107
Ebdita Gr%	68%	11%	18%	17%	-9%	51%	19%
Net Profits	272	263	274	292	52	70	47
Profit Gr%	73%	-3%	4%	6%	-21%	56%	-10%
Ebdita Margin%	20.0%	20.0%	20.3%	18.8%	20.0%	23.0%	18.2%
Net Profit Margin%	14.1%	12.3%	11.0%	9.3%	11.5%	12.8%	7.9%

Std/Fig in Rs Cr

- Revenue in 3QFY20 is expected to grow by 31% YoY. Toll collection from 2 BoT projects will be Rs 39 Cr at 11% YoY growth.
- EBITDA is expected to grow by 19% YoY with margin at 18.2%, down by 180 bps on account of lower revenue contribution from Irrigation projects.
- PAT is expected to de-grow by 10% and margin will be down by 360 bps to 7.9%.
- Effective tax rate was 9.3 % in FY19 and it will be 20.2% in FY20E.
- During the quarter company has secured 2 orders worth Rs 406 Cr from Greater Hyderabad Municipal Corporation for the repair and maintenance for the period of 5 years.
- During the quarter company has signed (due from long time) concession agreement for Oddanchatram – Madathukulam, a HAM project in state of Tamil Nadu.

Key Trackable this Quarter

- Appointment date of Magadi to Somwarpeth
- Status of Oddanchatram to Madathukulam
- New orders from NHAI

We value stock on SoTP basis (EPC business at 9x FY21 EPS and Rs 40/share for HAM business). NEUTRAL

PNCL IN

CMP 199
Target 227
Upside 14%
Rating BUY

	FY18	FY19	FY20E	FY21E
Roe%	14%	15%	19%	17%
Roce%	12%	15%	24%	23%
EV/Ebdita	14.2	10.1	6.3	5.6
P/E	17.9	14.1	10.7	9.6
P/B	2.5	2.2	2.0	1.7

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Order Book	7,318	12,210	11,194	11,072	7965	10939	9736
Bonus/Arbitration Claim	58	25	156	-	0	109	0
<i>Financials</i>							
Sales (Inc. Bonus/Arbitration)	1,857	3,097	5,316	6,905	727	1,180	1,203
Sales Gr%	10%	67%	72%	30%	54%	111%	65%
Ebdita	319	457	839	953	102	257	166
Ebdita Gr%	44%	43%	83%	14%	54%	245%	63%
Net Profits	251	325	476	532	47	207	80
Profit Gr%	20%	30%	47%	12%	-49%	489%	70%
Ebdita Margin%	17.2%	14.8%	15.8%	13.8%	14.0%	21.8%	13.8%
Net Profit Margin%	13.5%	10.5%	9.0%	7.7%	6.5%	17.5%	6.6%

Std/Fig in Rs Cr

- Revenue is expected to grow by 65% YoY led by the robust order book (92% orders are under construction and actively contributing in the revenue).
- Toll collection is likely to remain flat YoY to Rs 191 Cr.
- Core EPC EBITDA margin is expected to be 13.8%.
- PAT is expected to grow by 70% YoY to Rs 80 Cr and PAT margin will be 6.6%.
- Land availability on Challakere HAM project is 80% and expected to receive appointment date soon.
- Company has received approvals from the lenders for asset monetization. Management expects cash to receive before March 2020.
- For the full year order inflow will be Rs 6000-7000 Cr.

Key Trackable this Quarter

- Appointment date of Challakere HAM project
- Status of Asset monetisation.

We value the stock on SoTP basis (EPC business at 9x FY21 EPS and Rs 41/share for HAM business). BUY

SADE IN

CMP 124
Target -
Upside -
Rating Under Review

	FY18	FY19	FY20E	FY21E
Roe%	12%	9%	11%	13%
Roce%	10%	10%	12%	14%
EV/Ebdita	16.8	11.3	4.6	3.3
P/E	30.1	22.7	8.9	6.4
P/B	3.6	2.1	0.9	0.8

	FY18	FY19	FY20E	FY21E	Q3FY19	Q2FY20	Q3FY20E
Order book	13,249	11,228	9,525	11,973	12,872	9,521	8,497
Transporation							
BOT & HAM	1,248	2,369	2,088	1,894	744	401	645
EPC	1,784	861	1,273	2,312	139	115	303
Irrigation	278	161	186	141	13	19	53
Mining	264	150	151	204	28	30	23
<i>Financials</i>							
Sales	3,505	3,549	3,703	4,552	926	565	1,024
Sales Gr%	6%	1%	4%	23%	10%	-18%	11%
Ebdita	415	428	460	573	111	70	127
Ebdita Gr%	17%	3%	8%	25%	5%	-16%	15%
Net Profits	221	187	240	332	56	26	71
Profit Gr%	17%	-15%	28%	38%	-9%	-32%	26%
Ebdita Margin%	11.8%	12.1%	12.4%	12.6%	12.0%	12.3%	12.4%
Net Profit Margin%	6.3%	5.3%	6.5%	7.3%	6.1%	4.6%	6.9%

Std/Fig in Rs Cr

- Revenue is expected to grow by 11% YoY led by uptick in execution.
- EBITDA margin will expand by 40 bps due to change in revenue mix. EBITDA is expected to grow by 15%.
- PAT is expected to grow by 26% YoY to Rs 71 Cr with margin of 6.9% on account of lower interest cost.
- During the quarter company has terminated another HAM project Tumkur Shivamoga on account of delay in land acquisition. Earlier company has terminated concession agreement for Vishakapatam Port Road due to the issue in land acquisition.
- Company is waiting for the 80% land availability on the Bhimasar Bhuj to obtain Appointment date.
- Merger of SIPL and SEL has been approved in the share swap ratio of 3:1 i.e. for 3 SIPL share 1 SEL share.

Key Trackable this Quarter

- Appointment date of HAM projects

The Stock is Under Review

VATW

CMP **193**
Target **220**
Upside **14%**
Rating **NEUTRAL**

	FY18	FY19	FY20E	FY21E
Roe%	12%	10%	10%	11%
Roce%	17%	11%	12%	12%
EV/Ebdita	8.88	8.53	4.57	3.96
P/E	20.4	16.2	9.2	7.4
P/B	2.7	1.6	0.9	0.8

	FY18	FY19	FY20E	FY21E	3QFY19	2QFY20	3QFY20E
Order Inflow	3,193	4,879	6,844	4,500	577	3045	500
Order Book	6,809	8,592	8,473	9,787	8,361	9,037	8,763
India	3,388	4,839	3,974	5,425	4,461	3,992	3,982
Overseas	1,924	2,288	1,941	1,952	2,318	2,319	2,141
O&M (India + Overseas)	1,497	1,465	2,558	2,411	1,581	2,726	2,640
Revenue							
India	1,639	1,519	1,663	1,699	392	675	359
Overseas	1,379	850	910	889	159	240	278
O&M (India + Overseas)	410	355	508	597	101	159	136
<i>Financials</i>							
Net Sales	3,457	2,781	2,657	3,186	662	636	774
Sales Gr%	8%	-20%	-4%	20%	-23%	-15%	17%
Ebdita	292	194	226	260	49	61	59
Ebdita Gr%	-2%	-33%	17%	15%	-37%	-2%	19%
Net Profits	132	104	115	144	15	27	37
Profit Gr%	28%	-21%	10%	25%	-49%	-24%	141%
Ebdita Margin%	8.4%	7.0%	8.5%	8.2%	7.4%	9.7%	7.6%
Net Profit Margin%	3.8%	3.7%	4.3%	4.5%	2.3%	4.3%	4.8%

Conso/Fig in Rs Cr

- Revenue growth is expected to be 17% YoY on account of execution pick on new projects.
- EBITDA is expected to grow by 19% YoY and margin to remain stable at 7.6%.
- PAT is expected grow by 139% YoY to Rs 37 Cr and margin to improve by 250 bps to 4.8%.
- During the quarter company has received new order worth Rs 428 Cr under STP in Agra.
- Dangote project in Nigeria is 70% complete, with the project set to be commissioned by end-FY20.
- Total receivables from GENCO amounts to total Rs 470 Cr of which Rs 138 Cr is to be received from TSGENCO , Rs 69 Cr from TECPRO and Rs 263 Cr from APGENCO.
- Company bags Rs 1,187 Cr worth order under Clean Ganga scheme from Bihar Urban Infrastructure Development Corporation.

Key Trackable this Quarter

- Status of newly received projects
- O/s receivables

We value the stock at 8x FY21E EPS. NEUTRAL

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