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## Collection remain strong despite Challenging Environment

RATING	BUY
CMP	188
Price Target	209
Potential Upside	11%
Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	295/156
Mkt Capital (Rs Cr)	1279
Free float (%)	22%
Avg. Vol 1M (,000)	71
No. of Shares (Cr)	7
Promoters Pledged %	0

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
Net Sales	1798	1730	2411
EBITDA	251	290	377
EBIT	162	176	253
PAT	97	120	158
EPS (Rs)	14	18	23
EPS Gr (%)	22%	23%	32%
ROE	12%	13%	14%
ROCE	18%	17%	22%
BVPS	124	140	162
P/B (X)	1.9	1.3	1.2
P/E(x)	16.2	10.7	8.1

### 2QFY20 Result Update

- Revenue was down by the 10% YoY to Rs 405 Cr despite the strong order book. The Execution was mainly impacted on account of NGT issues in Delhi NCR and extended monsoon in Mumbai & MMR.
- Despite the lower revenue, EBITDA margin has expanded by 400 bps as company is handing over some projects which are completed. Usually, margins are higher at the time of handing over the sites.
- Operational number of sites has come down to 42 from 62 in December 2017 and it will further come down to 40 by the March 2020.
- Depreciation during the quarter was higher by 50% due to impact of Ind AS 116. Due to higher depreciation and lower other income, PAT was down by 2% YoY to Rs 23 Cr.
- Collection from clients remained strong and company has collected Rs 591 Cr so far in Q3FY20 and Rs 1389 Cr for 9MFY20 which is higher than revenue numbers.
- Company's order book is Rs 10820 Cr (ex. MAHADA project of Rs 4355 Cr) which is 6.3x of TTM revenue.

### Muted Revenue growth in 9MFY20, Execution likely to pick up

Revenue growth in the 9NFY20 remained muted and revenue for the full year FY20 will be flat. Currently Rs 5000 Cr worth of projects are under mobilization stage and likely to commence execution from the Q1 of next financial year. Data center project of BSNL and MCGM orders completed the mobilization in Q3FY20 which is expected to pick up the execution pace during the current quarter and will be at its peak in next year. Similarly, CIDCO project which was get awarded at the end of the Q2FY20 is under mobilization stage and awarding authority has handed over 4 locations out of 7. The remaining location will made available by the March 2020 and execution will start thereafter. The Private residential projects are bit slowly amidst to the challenging environment and we expect it will go relatively slow.

### Collection remain strong despite Challenging Environment

Execution was impacted in 9MFY20 due to multiple reasons but the collection from the client continues remain strong. Collection for the quarter Q3FY20 is Rs 591 Cr and for the 9MFY20 is Rs 1389 Cr which is higher than the 9MFY20 revenue of Rs 1221 Cr. Company's continuous focus on the cash flow management is resulted into strong collection. Company is continuously monitoring the projects and terminates the work on the projects which will face cash flow issue. Management will not compromise or sacrifice its balance sheet strength just to add top line growth.

### View and Valuation

Revenue performance in the first 9 months of the year remained muted and revenue growth for the full year FY20 will remain flat or 3-4% down as the majority of the orders are at mobilization stage. However, execution in FY21 is expected to improve as the large public sector orders start contributing in revenue. Management's conservative approach towards the working capital/Cash management and not to compromise the balance sheet strength just to add revenue, ensure the sustainable growth level in the long run. We maintain our FY21E EPS estimates and value the stock at Rs 209 (9x FY21E EPS) with BUY rating.

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## 3QFY20 Results

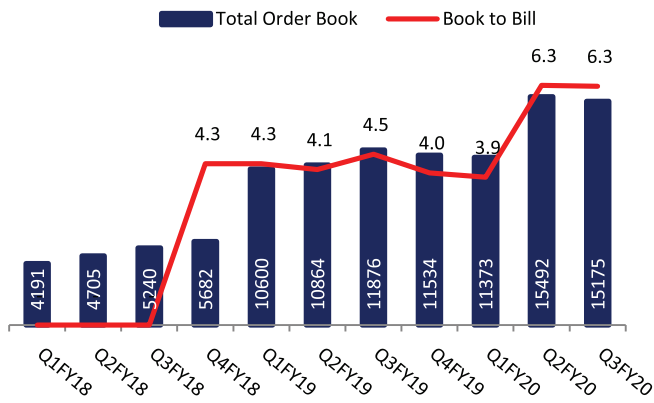
Fig in Rs Cr

FINANCIALS	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	QoQ%	9MFY19	9MFY20	YoY %
Net Sales	449	498	411	405	405	-1%	1,290	1,221	-5.3%
Other Income	9	10	7	8	5	21%	27	20	-27.6%
COGS	332	373	288	284	278	-1%	947	851	-10.2%
Employee Exp.	38	38	35	35	35	1%	108	105	-2.7%
Other Exp.	18	20	18	19	19	1%	53	56	6.3%
Total Exp.	388	431	341	338	333	-1%	1,108	1,012	-8.7%
EBITDA	62	67	70	67	72	-4%	181	209	15.2%
Depreciation	20	25	25	29	30	18%	64	84	30.6%
EBIT	42	42	45	38	42	-16%	117	125	6.7%
Interest	12	15	15	15	16	0%	34	46	35.6%
PBT	39	37	37	31	31	-16%	110	99	-10.6%
Tax	15	11	13	(9)	8	-169%	41	12	-71.6%
PAT	24	26	24	40	23	67%	70	87	25.0%

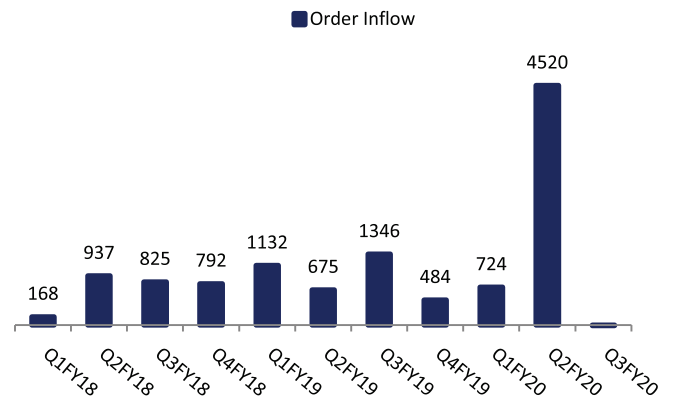
## Concall Highlights

- Execution was impacted during the quarter on account of NGT issue in Delhi NCR (38-40 Cr revenue loss) and extended monsoon in Mumbai MMR (50-55 Cr revenue loss).
- Company will not sacrifice the balance sheet strength in order to increase revenue. Company continues to follow stringent framework and will stop the execution on the project which are facing cash flow issues.
- Currently Rs 5000 Cr of orders out of total order book of Rs 10820 Cr is under mobilization and will start contributing in revenue from next financial year.
- Margin has improved as the company is handing over certain projects and at the time of handing over the project site margin is tend to be high. EBITDA margin will be 15.7-16.5% going ahead.
- Unbilled revenue is Rs 520 Cr at the end of the 31st December 2019 and Rs 220 Cr out of it are billed and under certification.
- Gross Debt is at Rs 285 Cr and it will remain at this level by the year end.
- In the December 2017 operational sites are 63 which has come down to 42 and it will come down to 40 by the March 2020.
- **Order Pipeline**
  - In the budget government is focused on to build Data centers, Construction of Hospitals, Medical college needs to attach with district hospital and development of 100 airports by 2024.
  - Order pipeline in commercial side is strong and on the residential side only branded players will drive the new launches. The pipeline from Institutional building is strong in the North part of the country and Rs 2000 Cr of hospital projects are likely to come up. Huge demand of IT Park in South India from existing clients.
  - Company will only accept order from the existing clients or from the clients which has the same level of quality as the existing clients have.
- **Update on CIDCO project**
  - As on 31st December 2019, 4 locations out of 7 locations has handed over to the company and remaining location will be made available by the 31st March 2020 as per contract. This project will be execute over next 3 financial year start from 1st April 2020.
  - First tranches of mobilization advances on the CIDCO project has received and it is interest free. Mobilization advances of Rs 220 Cr is likely to receive in Q4FY20.
  - Certain revenue from design and for the basic engineering is expected to book in Q4FY20 but the actual execution will start from next year.
  - Capex for the CIDCO project is likely to be Rs 110 Cr in FY21.
- **Update on MAHADA Projects**
  - Received the clearance to start with Transit camp and execution will start in next 10-15 days. Transit camp will be 22 storied of 3 towers. MAHADA has signed up with the 12000 tenet and move them out in the transit camp by the 31st March 2020. Once it will completed the, company is expecting Rs 2000 Cr of work order.

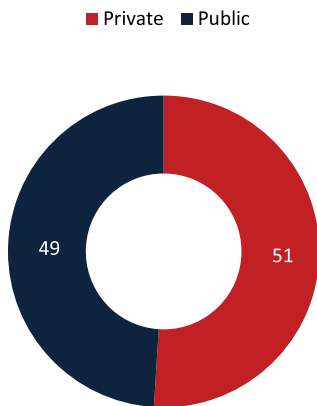
## Exhibit: Total Order Book



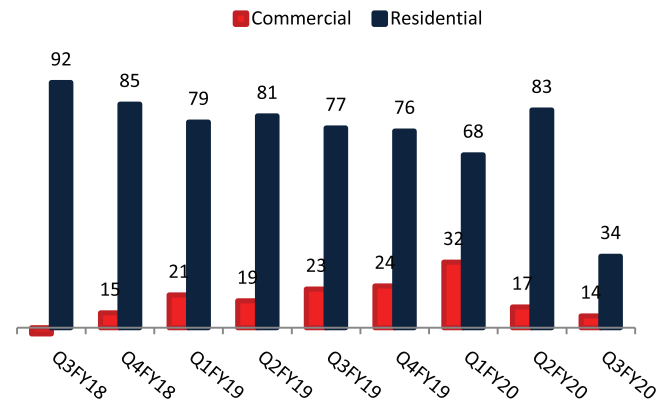
## Exhibit: Order Inflow



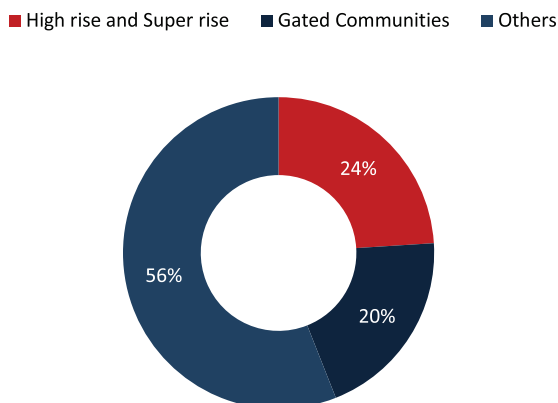
## Exhibit: Client Split



## Exhibit: Order Book Segmental Split (%)



## Exhibit: Project Split



## Financial Details

### Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Revenue from Operation</b>	<b>214</b>	<b>556</b>	<b>853</b>	<b>1,155</b>	<b>1,341</b>	<b>1,798</b>	<b>1,730</b>	<b>2,411</b>
Change (%)	1105%	159%	54%	35%	16%	34%	-4%	39%
<b>EBITDA</b>	<b>15</b>	<b>63</b>	<b>115</b>	<b>204</b>	<b>204</b>	<b>251</b>	<b>290</b>	<b>377</b>
Change (%)	-579%	331%	82%	78%	0%	23%	16%	30%
<b>Margin (%)</b>	<b>7%</b>	<b>11%</b>	<b>13%</b>	<b>18%</b>	<b>15%</b>	<b>14%</b>	<b>17%</b>	<b>16%</b>
Depr & Amor.	2	9	16	65	67	89	115	124
<b>EBIT</b>	<b>12</b>	<b>54</b>	<b>99</b>	<b>139</b>	<b>136</b>	<b>162</b>	<b>176</b>	<b>253</b>
Int. & other fin. Cost	4	15	32	42	40	49	63	71
Other Income	2	7	7	11	24	36	27	29
<b>EBT</b>	<b>11</b>	<b>46</b>	<b>74</b>	<b>107</b>	<b>121</b>	<b>149</b>	<b>140</b>	<b>211</b>
Exp Item	-	-	-	-	-	-	-	-
<b>Tax</b>	<b>7</b>	<b>14</b>	<b>26</b>	<b>37</b>	<b>42</b>	<b>52</b>	<b>20</b>	<b>53</b>
Minority Int & P/L share of Ass.	-	-	-	(1)	1	(0)	-	-
<b>Reported PAT</b>	<b>4</b>	<b>32</b>	<b>49</b>	<b>70</b>	<b>80</b>	<b>97</b>	<b>120</b>	<b>158</b>
<b>Adjusted PAT</b>	<b>4</b>	<b>32</b>	<b>49</b>	<b>70</b>	<b>80</b>	<b>97</b>	<b>120</b>	<b>158</b>
Change (%)	NA	679%	52%	43%	14%	22%	23%	32%
Margin(%)	2%	6%	6%	6%	6%	5%	7%	7%

### Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	9	5	8	44	68	68	68	68
Reserves	13	51	163	256	680	775	885	1,029
Networth	22	56	171	299	748	843	953	1,097
Debt	83	105	174	165	187	236	330	438
Other Non Cur Liab	85	143	117	136	144	177	177	177
Total Capital Employed	105	161	345	464	935	1,079	1,283	1,535
Net Fixed Assets (incl CWIP)	88	169	297	332	410	545	583	641
Non Cur Investments	5	5	0	0	0	0	0	0
Other Non Cur Asst	17	11	22	36	116	173	173	173
Non Curr Assets	105	180	319	368	526	718	756	814
Inventory	46	118	164	181	224	91	88	122
Debtors	86	152	287	368	419	533	513	715
Cash & Bank	56	40	36	50	324	193	225	263
Other Curr Assets	31	48	83	119	240	515	621	866
Curr Assets	219	357	570	718	1,207	1,333	1,447	1,966
Creditors	89	183	308	318	447	534	514	716
Provisions	0	1	3	2	18	22	21	29
Other Curr Liab	45	49	114	170	189	240	209	324
Curr Liabilities	134	232	425	490	655	795	744	1,069
Net Curr Assets	85	125	146	228	553	538	703	897
Total Assets	324	538	889	1,109	1,734	2,051	2,203	2,780

## Financial Details

### Cash Flow

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	11	46	74	106	122	149	140	211
(inc)/Dec in Working Capital	31	(16)	(121)	(50)	(98)	(147)	(134)	(156)
Non Cash Op Exp	2	9	16	65	67	89	115	124
Int Paid (+)	4	15	32	42	40	49	63	71
Tax Paid	5	12	16	24	24	43	20	53
others	(2)	(4)	(2)	(5)	(18)	(26)	-	-
CF from Op. Activities	41	37	(17)	136	85	70	163	197
(inc)/Dec in FA & CWIP	(84)	(73)	(80)	(112)	(141)	(224)	(153)	(182)
Free Cashflow	(43)	(36)	(97)	23	(56)	(154)	10	15
(Pur)/Sale of Inv	(39)	13	3	(7)	(288)	151	0	-
others	1	4	6	4	22	35	35	-
CF from Inv. Activities	(122)	(55)	(71)	(120)	(414)	(16)	(152)	(182)
inc/(dec) in NW	12	2	63	20	1	-	-	-
inc/(dec) in Debt	75	28	63	(26)	(2)	19	19	94
Int. Paid	(4)	(15)	(31)	(42)	(39)	(49)	(63)	(71)
Div Paid (inc tax)	-	-	-	-	(3)	(8)	(10)	(13)
others	-	-	(2)	(26)	-	-	-	-
CF from Fin. Activities	84	15	92	(9)	330	(38)	22	23
Inc(Dec) in Cash	2	(3)	4	7	2	17	32	38
Add: Opening Balance	2	4	1	4	11	13	193	225
Closing Balance	4	1	5	11	13	30	225	263

### Key Ratio

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	19%	57%	29%	23%	11%	12%	13%	14%
ROCE	17%	48%	43%	38%	17%	18%	17%	22%
Asset Turnover	0.66	1.03	0.96	1.04	0.77	0.88	0.79	0.87
Debtor Days	147	100	123	116	114	108	108	108
Inv Days	79	77	70	57	61	18	18	18
Payable Days	152	120	132	101	122	108	108	108
Int Coverage	3	4	3	3	3	3	3	4
P/E	-	-	-	-	26	16	11	8
Price / Book Value	-	-	-	-	3	2	1	1
EV/EBITDA	(0)	0	0	0	10	6	4	3
FCF per Share	(106)	(72)	(169)	6	(8)	(23)	1	2
Div Yield	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%	0.7%	0.9%

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