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Construction Ban and Clearance Issues Impact Performance

RATING	NEUTRAL
CMP	316
Price Target	262
Potential Upside	-17%

Rating Change	
Estimate Change	
Target Change	

STOCK INFO	
52wk Range H/L	385/247
Mkt Capital (Rs Cr)	2117
Free float (%)	42%
Avg. Vol 1M (,000)	11
No. of Shares (Crs)	7
Promoters Pledged %	24

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
Net Sales	1752	1837	2166
EBITDA	216	197	238
EBIT	189	171	210
PAT	117	116	146
EPS (Rs)	18	17	22
EPS growth (%)	2%	-1%	26%
ROE	16%	14%	15%
ROCE	26%	20%	22%
BVPS	109.6	125.5	145.0
P/B (X)	3.0	2.3	2.0
P/E (x)	18.6	16.5	13.1

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3QFY20 Result Update

- Revenue for the quarter was Rs 438 Cr a growth of 5% YoY, the execution was impacted on account of the ban on construction in NCR which impacted Revenue by Rs 60 Cr.
- Company has written off Rs 12.5 Cr and provided Rs 2.5 Cr regarding HDIL.
- EBITDA de-grew by 14% YoY and EBITDA margin was also down by 220 bps to 9.7%.
- Interest as a percentage of Sales has increased from 1.2% to 2.1%.
- PAT de-grew by 24% and the margin was down 170 bps to 4.7% from 6.4% on account of higher interest expenses.
- The Order inflow during the quarter was Rs 1253 Cr while the Order Book Stood at Rs 6896 Cr.

Revenue and Margins still under Pressure

Company has reported a growth of 5% YoY in 3QFY20. Revenue was impacted by Rs 60 Cr on account of ban on construction in NCR. For 9MFY20, the company has reported de-growth in revenue of 7% due to heavy rainfall in H1FY20. EBITDA for 3QFY20 de-grew by 14% YoY and margin was down by 220 bps to 9.7% from 11.9% and for 9MFY20 EBITDA de-grew by 25% YoY with margin declining by 240 bps to 10.2% from 12.6%. Interest cost as a percentage of Sales has increased from 1.2% to 2.1%. PAT for 3QFY20 de-grew by 24% YoY and the margin was down 170 bps to 4.7% from 6.4% and for 9MFY20 it de-grew by 41% YoY with margins declining by 250 bps to 4.3% from 6.8%. Order inflow during the quarter reported was Rs 1253 Cr while the order book stood at Rs 6896 Cr.

Projects execution Still a Risk

Due to the construction ban in NCR and other projects facing problems, there has been a continued loss of revenue over the 9MFY20. NCR construction ban in 3QFY20, the company has suffered from revenue loss of Rs 60 Cr. Pick up in execution is expected as the ban has been lifted. PIL against Gardanibagh project in Patna has been rejected by Patna High Court and environment clearance is expected to be received in 4QFY20. Mohammadpur project in Delhi is facing funding issues since most of the funding for is supposed to come from the proceeds of the sale of Nauroji Nagar which is facing some problems. Company has been awaiting foreclosure of Charbag project for NBCC in Lucknow. Due to uncertainties around the execution of the project, management has maintained its growth for FY20 to flat to 5%.

View and Valuation

During 9MFY20, revenue has been impacted due to heavy rainfall and construction ban in NCR due to pollution. Margins have been on the decline due to delay in execution of new projects. Considering the uncertainties and margin impacts we have reduced out FY21 EPS by 5%. We maintain our NEUTRAL rating on the stock with a target price of Rs 262 (12x FY21 EPS).

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3QFY20 Results

Fig in Rs Cr

FINANCIALS	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %	QoQ%	9MFY19	9MFY20	YoY %
Net Sales	419	487	317	417	438	5%	5%	1,262	1,172	-7.1%
Other Income	4	3	3	2	3	-37%	27%	7	8	14.1%
Total Income	423	491	320	419	441	4%	5%	1,268	1,180	-7.0%
COGS	198	241	98	195	186	-6%	-4%	554	480	-13.4%
Expenditure	369	431	278	379	396	7%	4%	1,102	1,052	-4.5%
EBITDA	50	57	39	38	43	-14%	12%	160	120	-24.7%
Depreciation	7	7	8	8	8	15%	2%	21	24	15.7%
EBIT	43	50	31	30	35	-19%	14%	139	96	-30.7%
Interest	5	5	7	9	9	83%	10%	14	25	76.8%
PBT	41	48	28	24	28	-33%	17%	132	79	-39.9%
Tax	14	17	10	11	7	-50%	-35%	45	28	-38.0%
PAT	27	31	18	13	20	-24%	63%	86	51	-41.0%

Concall Highlights

- Revenue growth for FY20 is expected to be flat or 4-5% and for FY21 will be 15-20%.
- There has been write-off in the balance sheet of about Rs 12.50 Cr and Rs 2.5 Cr of provisions has been made for HDIL.
- Revenue for the quarter was affected by Rs 60 Cr on account of ban of construction on account of pollution in the NCR region.
- Company is awaiting that foreclosure for Charbagh project.
- In case of Gardanibagh in Patna project the PIL which was filed against this project has been thrown out by the court, and company is expecting environmental clearance in the next 10 to 15 days.
- Mohammadpur project is facing funding issues as most of the funding is suppose to come from the proceeds of sale of Nauroji Nagar.
- Company has won the largest AIIMS in the country which is Rs 1253 Cr EPC project and to be completed in 30 months. Rs 600 Cr of billing is expected in FY21 and Rs 650 Cr of billing in FY22 for the said project.
- Company is also L1 in the first of the Central Vista project, which is also a fast-track project, which is Rs 540 Cr project to be executed in 8-9 months.
- CapEx for FY20 is expected to be Rs Cr of which Rs 26 Cr of CapEx is done in 9MFY20.
- Since the state elections in Bihar are in the month of Oct-Nov, good amount of ordering is expected.

Segmental Revenue

Fig in Rs Cr

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
Contract Work	400	433	412	479	315	414	435	6%	5%
Lease Rental	1	1	1	1	2	2	2	36%	20%
Others	3	5	6	7	-	1	1	-75%	0%

Exhibit: Order Inflow

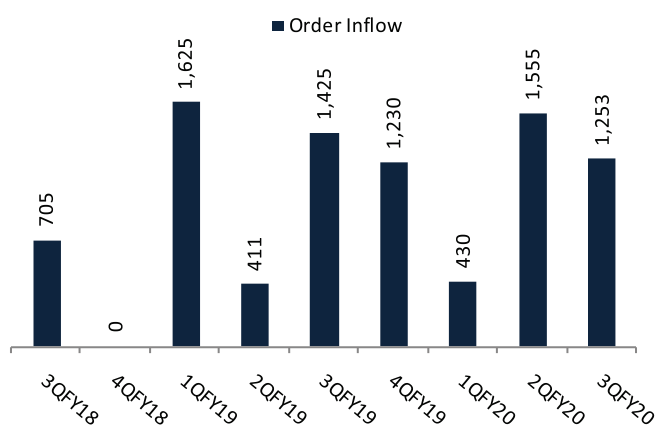


Exhibit: Order Book: Public vs Private

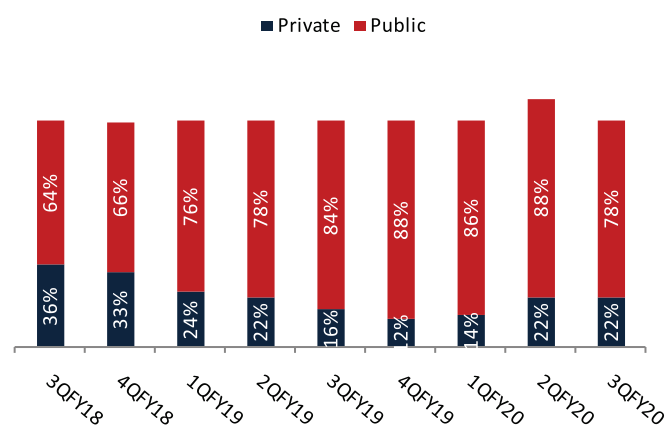


Exhibit: EBITDA and EBITDA Margin

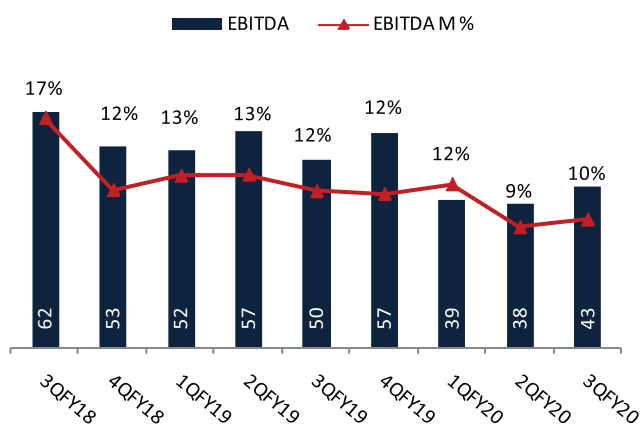
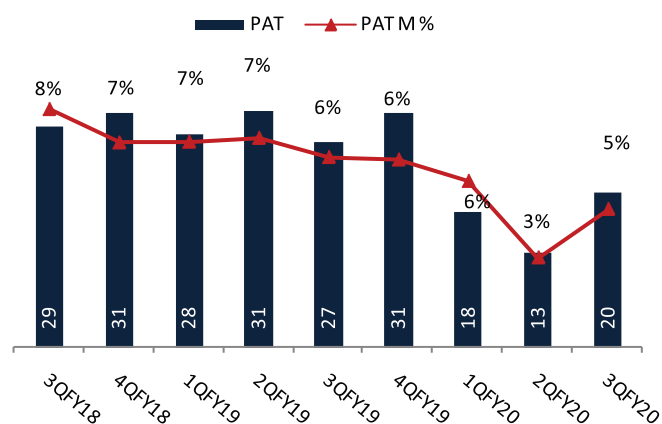


Exhibit: PAT and PAT Margin



Financial Details

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	960	1,060	1,250	1,427	1,647	1,752	1,837	2,166
Change (%)	-31%	10%	18%	14%	15%	6%	5%	18%
EBITDA	42	115	161	173	219	216	197	238
Change (%)	-276%	175%	40%	8%	27%	-1%	-9%	21%
Margin (%)	4%	11%	13%	12%	13%	12%	11%	11%
Depr & Amor.	12	21	20	24	26	28	25	29
EBIT	30	94	141	149	194	189	171	210
Int. & other fin. Cost	36	39	35	27	25	19	20	23
Other Income	14	12	14	8	6	10	10	9
EBT	8	67	119	131	175	179	161	196
Exp Item	(14)	-	-	-	-	-	-	-
Tax	0	1	34	43	59	62	45	49
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	22	66	85	88	115	117	116	146
Adjusted PAT	36	66	85	88	115	117	116	146
Change (%)	-147%	85%	28%	3%	32%	2%	-1%	26%
Margin(%)	4%	6%	7%	6%	7%	7%	6%	7%

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	13	13	13	13	13	13	13	13
Reserves	214	324	409	491	608	721	827	958
Networth	226	338	422	505	621	734	841	971
Debt	226	155	133	90	30	61	59	88
Other Non Cur Liab	67	48	85	66	30	67	67	67
Total Capital Employed	453	493	555	595	651	795	900	1,060
Net Fixed Assets (incl CWIP)	198	195	197	197	189	191	206	207
Non Cur Investments	1	6	6	0	-	-	-	-
Other Non Cur Asst	169	157	116	189	154	165	170	190
Non Curr Assets	368	351	313	386	342	355	376	397
Inventory	172	167	205	248	189	222	233	275
Debtors	404	417	500	455	566	649	654	742
Cash & Bank	55	76	88	84	75	138	190	175
Other Curr Assets	50	25	45	59	72	118	164	153
Curr Assets	681	685	838	846	902	1,127	1,241	1,511
Creditors	291	269	295	352	378	429	449	530
Provisons	3	3	1	3	2	2	3	3
Other Curr Liab	237	230	221	191	140	152	159	188
Curr Liabilities	530	502	516	571	563	620	650	766
Net Curr Assets	151	183	321	275	339	507	591	745
Total Assets	1,051	1,042	1,157	1,232	1,245	1,483	1,617	1,908

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	10%	20%	20%	17%	19%	16%	14%	15%
ROCE	11%	27%	33%	29%	31%	26%	20%	22%
Asset Turnover	0.91	1.02	1.08	1.16	1.32	1.18	1.14	1.14
Debtor Days	154	144	146	116	125	135	130	125
Inv Days	65	57	60	63	42	46	46	46
Payable Days	110	93	86	90	84	89	89	89
Int Coverage	1	2	4	6	8	10	8	9
P/E	12	25	23	24	22	19	17	13
Price / Book Value	1	5	5	4	4	3	2	2
EV/EBITDA	6	14	12	11	11	9	9	7
FCF per Share	(5)	76	62	107	63	56	128	127
Div Yield	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.5%	0.7%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	22	67	119	131	175	179	161	196
(inc)/Dec in Working Capital	7	(49)	(64)	(31)	(67)	(38)	6	(45)
Non Cash Op Exp	12	21	20	24	26	28	25	29
Int Paid (+)	32	33	27	19	9	10	20	23
Tax Paid	20	(37)	7	12	56	79	45	49
others	(24)	(11)	(10)	(3)	(1)	4	-	-
CF from Op. Activities	28	98	84	127	81	86	168	156
(inc)/Dec in FA & CWIP	(34)	(22)	(22)	(21)	(18)	(30)	(40)	(29)
Free Cashflow	(5)	76	62	107	63	56	128	127
(Pur)/Sale of Inv	2	-	-	-	0	-	-	(166)
others	34	38	(10)	12	(2)	(13)	-	-
CF from Inv. Activities	2	16	(33)	(9)	(20)	(43)	(40)	(195)
inc/(dec) in NW	-	-	-	-	-	-	-	-
inc/(dec) in Debt	(14)	(65)	(31)	(52)	(60)	31	(2)	30
Int. Paid	31	33	26	19	9	10	20	23
Div Paid (inc tax)	-	-	-	-	-	2	11	16
others	-	-	-	-	-	-	-	-
CF from Fin. Activities	(45)	(98)	(58)	(71)	(70)	19	(33)	(9)
Inc(Dec) in Cash	(15)	16	(6)	48	(8)	62	95	(48)
Add: Opening Balance	42	27	42	36	84	75	209	305
Closing Balance	27	42	36	84	125	209	304	257

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