

Sales Growth	FY19E	FY20E
SADBHAV	21%	43%
KNRCON	-4%	41%
ASHOKA	34%	41%
IRB	20%	17%
PNCINFRA	65%	55%
DBL	29%	25%

EPS Growth	FY19E	FY20E
SADBHAV	34%	4%
KNRCON	-45%	31%
ASHOKA	2%	41%
IRB	5%	-23%
PNCINFRA	9%	18%
DBL	59%	5%

Tight liquidity situation

Currently, Infrastructure sector especially road construction is under pressure due to tight liquidity situation and delay in land acquisition. FY18 has seen the highest number of projects awardment while major of them were in the 4th Quarter of FY18. Post awardment the run for fund has begun by all the successful bidders. Looking at the Health of PSU's, RBI has called for emergency checkups; bring many PSU's under PCA. The total funding exposure to Infrastructure sector by Private and Public Sector banks amounts to Rs 13.57 Trillion as on 31st March 2018 of which Rs 10.38 trillion was of Public Sector banks where as Rs 3.19 trillion of Private banks. The public sector banks which are covered under PCA amount to around 49% of the total exposure of PSU and 38% of total banks exposure. Looking at the current scenario the funding seems to be tightened for the road sector. But the companies with strong balance sheet will not face such issue.

Slow progress on land acquisition may hurt revenue growth in FY19

Some of the developers have tied up the funds but due to non availability of sufficient land, appointment date can't be issued. NAHI issued appointment date only after 80% of required land is acquired. Additionally, banker is also insisting to take appointment date only after 80% land acquisition. We expect that the revenue growth in FY19 will be muted for some of the developers. Management of KNRCON has already indicated that the FY19 will see dip in revenue growth. Looking at the current situation NHAI has deliberately slow down new projects awardment and focus on land acquisition.

NHAI ordering remain lackluster, expect uptick in H2FY19

For the financial year 2018-19 Government has set ambitious target to award 20000 Km road projects higher by 25% compared to last year. Construction target is set at 16000 km and per day construction target of 45 km/day as against last year's 27 km/day. But the NHAI ordering was lackluster in first half of FY19 as it is more focused on construction. Currently, NHAI putting all its efforts to acquired land for the projects awarded last year. Though we expect sharp pick up in ordering from H2FY19 considering the election year.

View :-

Currently, Infrastructure sector especially road construction is under pressure due to tight credit situation and delay in land acquisition. However the companies with strong balance sheet and proven execution capabilities will not suffer. Execution of our coverage universe except KNRCON is likely to pick up from H2FY19 as the projects awarded in last year are expected to come under construction. Considering the Election year we expect sharp uptick in NHAI tendering from H2FY19. We are positive on Sadbhav Eng and Ashoka Buildcon (For detailed reports please refer our Result Update report).

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Construction and Engineering

Exhibit: Infrastructure funding by PSU and Pvt Bank

In FY18, 49% out of the PSU banks was landed by banks under PCA framework.

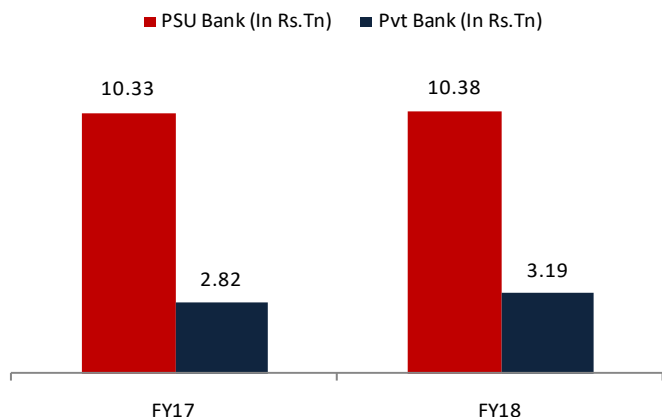


Exhibit: OB & OB Yet to achieve Financial Closure

On an average 50% of the total order book (Our coverage universe) is yet to achieve financial closure.

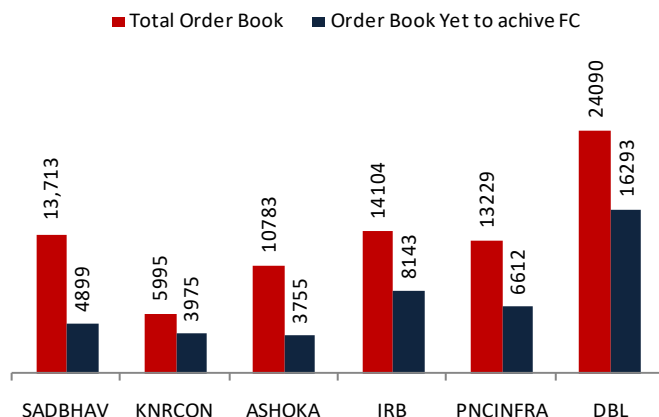


Exhibit: Debt to Equity

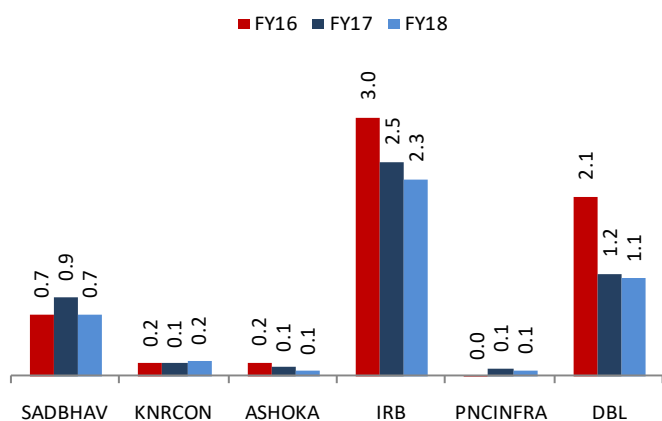


Exhibit: O/S Equity Requirement

Equity required to invest over period of 3 years

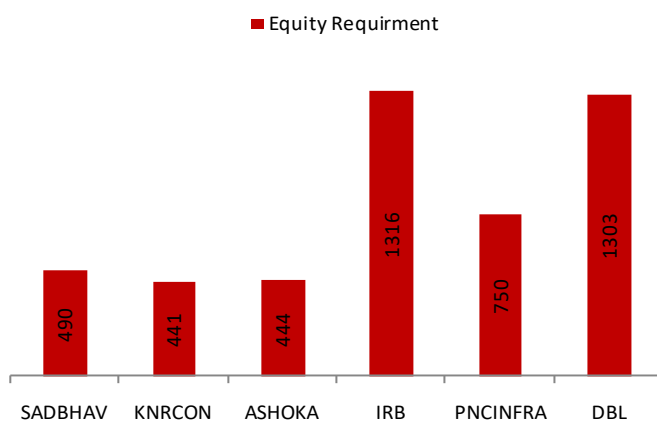
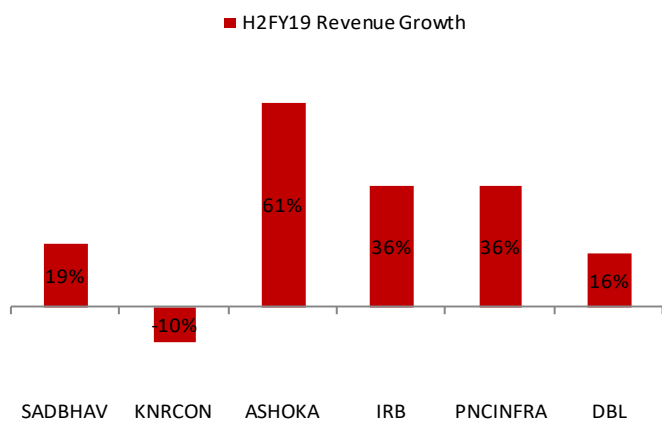


Exhibit: Revenue Growth in H2FY19

Execution likely to pick up from H2FY19 as the construction on projects awarded last year will start



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