

HSIE Results Daily

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Results Reviews

- **Sadbhav Engineering** : Sadbhav Engineering (SEL) reported revenue at Rs 2.3bn, decline of 73%/44% YoY/QoQ. Consequently, losses came in at Rs 266mn, against our estimated loss of Rs 212mn. Labour availability has improved to 80%. Standalone order book stood at Rs 82bn. Although, SEL could not secure any order in 1QY21, it has already won orders of Rs 16bn 2QFY21. Net debt reduced marginally to Rs 10.6bn (vs 11.2bn at FY20-end). However, with receivables of ~Rs 18bn, working capital still remains stretched. We maintain BUY on SEL, with an unchanged target price of Rs 62, given low valuation. Improvement in balance sheet and pick-up in execution will lead to re-rating.

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Sadbhav Engineering

Inline performance

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- **Miss on execution:** SEL reported revenue at Rs 2.3bn during the quarter (73%/44% QoQ/YoY), missing our estimate by 15%. However, EBITDA beat our estimate by 18% on better than expected margin. Consequently, loss for the quarter came in at Rs 266mn, against our estimated loss of Rs 212mn.
- **Execution to normalize by Oct'20:** Labor availability has improved to 80% currently and is expected to normalize by Oct'20. Besides, execution on all sites have started. With improvement of labour availability and commencement of work on three large EPC project (combined value of Rs 37bn), management expect to close in on target of Rs 100mn/day execution from Oct-20. The company expects to achieve Rs 4bn of topline in 2QFY21 and PCOD on six HAM projects in FY21.
- **Order book at Rs 82bn; Rs 45-50bn inflow guidance for FY21:** Standalone order book stood at Rs 82bn at the end of the 1QFY21 (including L1 of Rs 16bn, OB is Rs 98bn). SEL could not secure any orders in 1QFY21 but it has already won two EPC contract in 2QFY21 with combined value of Rs 16bn. Cumulatively, management is targeting Rs 45-50bn of orders in FY21. In that direction, the company has submitted bids for two road projects, valued at Rs 17bn, and a bid for a metro project of Rs 4.7bn in Ahmedabad. Besides, management is working on nine bids and will submit same in due time.
- **Stretched working capital weighing on the balance sheet:** Including the loans (Rs 3.5bn) given to SIPL, standalone net debt stood at Rs 10.6bn (vs Rs 11.2bn at FY20-end). Cash on hand stood at Rs 1bn. Although receivables reduced by Rs 1.4bn, it still remains elevated at Rs 18bn. Potential realization of arbitration awards (~Rs 2.2bn), GST refunds (~Rs 1bn), SPV debtors (~Rs 3.2bn) disbursements by bank, irrigation debtors payments (Rs 2bn), HAM escalation charges (~Rs 2.2bn); and proceeds from transfer of Ahmedabad Ring Road project to Indinfravit could help reduce stress on balance sheet.

Quarterly/annual financial summary

Year Ending March	1QFY21	1QFY20	YoY (%)	4QFY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Sales	2,297	8,376	(72.6)	4,089	(43.8)	35,493	22,517	24,023	29,295
EBITDA	195	1,046	(81.4)	504	(61.4)	4,281	2,795	2,722	3,662
APAT	(266)	395	NA	(88)	NA	1,863	681	681	1,229
Diluted EPS (Rs)	(1.5)	2.3	NA	(0.5)	NA	10.9	4.0	4.0	7.2
P/E (x)						4.5	12.3	12.3	6.8
EV / EBITDA (x)						5.5	7.0	6.5	4.5
RoE (%)						9.2	3.2	3.2	5.5

Source: Company, HSIE Research, Standalone financials

BUY

CMP (as on 03 Sep, 2020)	Rs 50
Target Price	Rs 62
NIFTY	11,527

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 62	Rs 62
EPS %	FY21E	FY22E
	-	-

KEY STOCK DATA

Bloomberg code	SADE IN
No. of Shares (mn)	172
MCap (Rs bn) / (\$ mn)	9/115
6m avg traded value (Rs mn)	28
52 Week high / low	Rs 149/23

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	17.5	(27.1)	(64.1)
Relative (%)	3.2	(28.0)	(70.7)

SHAREHOLDING PATTERN (%)

	Mar-20	June-20
Promoters	46.81	46.84
FIs & Local MFs	22.75	22.04
FPIs	11.06	8.29
Public & Others	19.38	22.83
Pledged Shares	26.05	27.80

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Parikshit Kandpal	Sadbhav Engineering	MBA	NO
Chintan Parikh	Sadbhav Engineering	MBA	NO
Rohan Rustagi	Sadbhav Engineering	MBA	NO

Disclosure:

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