

November 13, 2020

Q2FY21 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

| | Current | | Previous | |
|---------------------|------------|--------|------------|--------|
| | FY22E | FY23E | FY22E | FY23E |
| Rating | BUY | | BUY | |
| Target Price | 152 | | 152 | |
| Sales (Rs. m) | 59,925 | 64,300 | 59,925 | 64,300 |
| % Chng. | - | - | - | - |
| EBITDA (Rs. m) | 27,566 | 29,578 | 24,869 | 26,685 |
| % Chng. | 10.8 | 10.8 | - | - |
| EPS (Rs.) | 18.8 | 22.8 | 21.4 | 25.1 |
| % Chng. | (12.4) | (9.1) | - | - |

Key Financials - Consolidated

| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|----------------|--------|--------|--------|--------|
| Sales (Rs. m) | 68,522 | 54,902 | 59,925 | 64,300 |
| EBITDA (Rs. m) | 29,714 | 25,255 | 27,566 | 29,578 |
| Margin (%) | 43.4 | 46.0 | 46.0 | 46.0 |
| PAT (Rs. m) | 6,635 | 3,910 | 6,603 | 8,022 |
| EPS (Rs.) | 18.9 | 11.1 | 18.8 | 22.8 |
| Gr. (%) | (21.9) | (41.1) | 68.9 | 21.5 |
| DPS (Rs.) | - | - | - | - |
| Yield (%) | - | - | - | - |
| RoE (%) | 10.2 | 5.7 | 9.2 | 10.3 |
| RoCE (%) | 7.4 | 6.8 | 7.3 | 7.8 |
| EV/Sales (x) | 3.6 | 4.5 | 4.1 | 3.8 |
| EV/EBITDA (x) | 8.3 | 9.7 | 8.9 | 8.2 |
| PE (x) | 5.8 | 9.8 | 5.8 | 4.8 |
| P/BV (x) | 0.6 | 0.6 | 0.5 | 0.5 |

Key Data

IRBI.BO | IRB IN

| | |
|---------------------|-------------------|
| 52-W High / Low | Rs.139 / Rs.46 |
| Sensex / Nifty | 43,443 / 12,720 |
| Market Cap | Rs.38bn / \$ 514m |
| Shares Outstanding | 351m |
| 3M Avg. Daily Value | Rs.347.25m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 58.01 |
| Foreign | 15.37 |
| Domestic Institution | 11.33 |
| Public & Others | 15.29 |
| Promoter Pledge (Rs bn) | 3.89 |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|-------|------|------|
| Absolute | (1.5) | 67.0 | 49.5 |
| Relative | (7.9) | 23.0 | 38.0 |

Viral Shah

viralshah@plindia.com | 91-22-66322250

Shivang Joshi

shivangjoshi@plindia.com | 91-22-66322391

Toll collection witnessing a sharp recovery

Quick Pointers:

- Construction revenue was flat sequentially to Rs7.8bn largely due to large number of projects reaching PCOD and awaiting AD for newly awarded.
- Toll collection rebounded sharply to pre-covid level across IRB's portfolio by Sep'20 end. Some projects even witnessed YoY growth in toll collection.
- Given strong bid pipeline for BOT projects, management guided Rs60-70bn order inflows in FY21E. Order book stands at Rs121.6bn (2.9x TTM revenues)

IRB reported decent quarterly performance in line with our estimates led by healthy toll collection which saw a sharp recovery in collection reaching pre-covid levels across portfolio. During 2Q, BOT revenues came in at Rs3.9bn. The company expects to receive PCOD for Agra Etwah BOT project in 3Q, post which tariff revision to be in the range of 60-70%. However, the company reported flat construction revenues primarily due to big ticket size projects reaching PCOD levels and large part of unexecuted order book awaiting appointed date (AD).

IRB Infrastructure is one of the largest BOT toll operators in the country having market share of ~22% in the total Golden Quadrilateral projects with over 3,700km of total projects successfully executed. We have tweaked our FY21E/ FY22E earnings estimates downwards by 15.4%/ 12.4%. At CMP, the stock trades at a P/E of 9.8x/ 5.8x on FY21E/ FY22E EPS and is trading at an EV of 9.7x/ 8.9x FY21E/ FY22E EBITDA. We maintain BUY rating on the stock with SoTP based TP of Rs152 (Same as earlier).

Healthy execution, margins resilient at 49.4%: IRB reported 35.9% fall in consolidated revenues to Rs11.2bn (PLe Rs11.8bn), led by healthy and gradual rise in toll collection and execution revival amidst Covid-19 pandemic. Construction segment fell by ~44% YoY to Rs7.6bn. EBITDA declined 25.7% YoY and blended EBITDA margins came in strong at 49.4% (PLe 40%) led by higher share of BOT revenues. On bottom-line, company posted a loss of Rs197mn (PLe loss of ~Rs168mn). Note: Consolidated numbers are not comparable for 2QFY21 and 1HFY21.

Healthy Order book; strong bid pipeline: Construction order book stands at Rs121.6bn as at 2QFY21 comprising O&M projects (Rs70.4bn) and EPC projects (Rs51.2bn). This translates into order-book-to-sales ratio of 2.9x trailing construction revenues. With Rs600bn worth projects lined up for awarding by NHAI in H2FY21, IRB targets to add 4-6 additional projects worth Rs50-70bn in FY21E. IRB's Gross debt (consolidated) rose to ~Rs150bn (from Rs143.5bn as at 1QFY21). With Cash & Cash Equivalents of Rs21.5bn, Net D:E stands at 2.3x.

Exhibit 1: Quarterly Financials (Consolidated): Higher share of BOT revenues drive higher margins

| Y/e March (Rs mn) | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | YoY gr. (%) | QoQ gr. (%) | 1HFY21 | 1HFY20 | YoY gr. (%) |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|----------------|
| Revenue | 17,521 | 17,426 | 15,845 | 10,223 | 11,233 | (35.9) | 9.9 | 21,456 | 35,251 | (39.1) |
| Total Revenues | 17,521 | 17,426 | 15,845 | 10,223 | 11,233 | (35.9) | 9.9 | 21,456 | 35,251 | (39.1) |
| Expenditure | 10,047 | 10,289 | 9,295 | 5,447 | 5,683 | (43.4) | 4.3 | 11,130 | 19,229 | (42.1) |
| as % of sales | 57.3 | 59.0 | 58.7 | 53.3 | 50.6 | | | 51.9 | 54.5 | |
| Consumption of RM | 948 | 1,460 | 849 | 284 | 397 | (58.2) | 39.7 | 680 | 2,064 | (67.0) |
| as % of sales | 5.4 | 8.4 | 5.4 | 2.8 | 3.5 | | | 3.2 | 5.9 | |
| Employee Cost | 735 | 676 | 675 | 741 | 806 | 9.7 | 8.7 | 1,547 | 1,522 | 1.6 |
| as % of sales | 4.2 | 3.9 | 4.3 | 7.2 | 7.2 | | | 7.2 | 4.3 | |
| Other expenditure | 8,365 | 8,153 | 7,771 | 4,422 | 4,481 | (46.4) | 1.3 | 8,903 | 15,643 | (43.1) |
| as % of sales | 47.7 | 46.8 | 49.0 | 43.3 | 39.9 | | | 41.5 | 44.4 | |
| EBITDA | 7,474 | 7,137 | 6,549 | 4,776 | 5,550 | (25.7) | 16.2 | 10,326 | 16,022 | (35.6) |
| Depreciation | 1,139 | 955 | 1,054 | 844 | 1,285 | 12.9 | 52.3 | 2,129 | 2,674 | (20.4) |
| EBIT | 6,335 | 6,182 | 5,495 | 3,932 | 4,265 | (32.7) | 8.5 | 8,197 | 13,348 | (38.6) |
| Other Income | 490 | 475 | 504 | 512 | 455 | (7.1) | (11.0) | 967 | 971 | (0.4) |
| Interest | 3,813 | 4,099 | 4,104 | 3,656 | 4,350 | 14.1 | 19.0 | 8,006 | 7,441 | 7.6 |
| PBT | 3,012 | 2,558 | 1,895 | 788 | 370 | (87.7) | (53.1) | 1,158 | 6,878 | (83.2) |
| Total Tax | 1,010 | 961 | 767 | 331 | 150 | (85.2) | (54.7) | 481 | 2,816 | 2,306.3 |
| Adjusted PAT | 2,002 | 1,597 | 1,128 | 457 | 220 | (89.0) | (51.9) | 677 | 4,062 | (83.3) |
| (Profit)/loss from JV's/Ass/MI | 0 | 0 | 158 | 759 | 417 | - | - | 1,175 | 0 | - |
| PAT after MI | 2,002 | 1,597 | 969 | -301 | -197 | (109.8) | (34.8) | -498 | 4,063 | (112.3) |
| Extra ordinary items | 0 | 0 | 574 | 0 | 0 | | | 0 | 0 | - |
| Reported PAT | 2,002 | 1,597 | 1,543 | -301 | -197 | (109.8) | (34.8) | -498 | 4,063 | (112.3) |
| Adjusted EPS | 5.7 | 4.5 | 4.4 | -0.9 | -0.6 | (109.8) | (34.8) | -1.4 | 11.6 | (112.3) |
| | | | | | | bps | bps | | | bps |
| EBIDTA | 42.7 | 41.0 | 41.3 | 46.7 | 49.4 | 675 | 269 | 48.1 | 45.5 | 268 |
| EBIT | 36.2 | 35.5 | 34.7 | 38.5 | 38.0 | 181 | (50) | 38.2 | 37.9 | 34 |
| EBT | 17.2 | 14.7 | 12.0 | 7.7 | 3.3 | (1,390) | (442) | 5.4 | 19.5 | (1,411) |
| PAT | 11.4 | 9.2 | 9.7 | -2.9 | -1.8 | (1,318) | 120 | -2.3 | 11.5 | (1,385) |
| Effective Tax rate | 33.5 | 37.6 | 40.5 | 42.0 | 40.5 | 698 | (147) | 41.5 | 40.9 | 58 |

Source: Company, PL

Exhibit 2: Segmental Performance

| Y/e March (Rs mn) | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | YoY gr. (%) | QoQ gr. (%) | 1HFY21 | 1HFY20 | YoY gr. (%) |
|---------------------------|---------------|---------------|---------------|---------------|---------------|--------------------|-------------------|---------------|---------------|--------------------|
| Revenue | 18,011 | 17,902 | 16,348 | 10,735 | 11,689 | (35.1) | 8.9 | 22,423 | 36,222 | -38.1% |
| Construction | 13,581 | 14,068 | 12,518 | 7,824 | 7,775 | (42.7) | (0.6) | 15,600 | 25,519 | -38.9% |
| BOT | 4,430 | 3,833 | 3,830 | 2,910 | 3,913 | (11.7) | 34.5 | 6,824 | 10,703 | -36.2% |
| EBITDA (incl OI) | 7,964 | 7,612 | 7,053 | 5,288 | 6,005 | (24.6) | 13.6 | 11,293 | 16,999 | -33.6% |
| Construction | 4,104 | 4,097 | 3,806 | 2,688 | 2,460 | (40.1) | (8.5) | 5,148 | 7,672 | -32.9% |
| BOT | 3,860 | 3,515 | 3,247 | 2,600 | 3,545 | (8.1) | 36.4 | 6,145 | 9,327 | -34.1% |
| EBITDA Margin | 44.2% | 42.5% | 43.1% | 49.3% | 51.4% | 716.2 bps | 212.2 bps | 50.4% | 46.9% | 343.4 bps |
| Construction | 30.2% | 29.1% | 30.4% | 34.4% | 31.6% | 142.3 bps | -270.9 bps | 33.0% | 30.1% | 293.8 bps |
| BOT | 87.1% | 91.7% | 84.8% | 89.3% | 90.6% | 347.4 bps | 126.5 bps | 90.1% | 87.1% | 291.1 bps |
| PBT | 3,012 | 2,558 | 2,469 | 788 | 370 | (87.7) | (53.1) | 1,158 | 6,884 | -83.2% |
| Construction | 3,083 | 2,967 | 2,639 | 1,545 | 739 | (76.0) | (52.1) | 2,284 | 5,669 | -59.7% |
| BOT | (71) | (409) | (169) | (757) | (369) | 420.4 | (51.2) | (1,126) | 1,215 | -192.7% |
| PBT Margins | 16.7% | 14.3% | 15.1% | 7.3% | 3.2% | -1355.9 bps | -417.6 bps | 5.2% | 19.0% | -1384.1 bps |
| Construction | 22.7% | 21.1% | 21.1% | 19.7% | 9.5% | -1319.4 bps | -1023.4 bps | 14.6% | 22.2% | -757.4 bps |
| BOT | -1.6% | -10.7% | -4.4% | -26.0% | -9.4% | -783.8 bps | 1655.9 bps | -16.5% | 11.3% | -2785.1 bps |

Source: Company, PL

Exhibit 3: Toll revenues at project level

| Y/e March (Rs mn) | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | YoY gr. (%) | QoQ gr. (%) | 1HFY21 | 1HFY20 | YoY gr. (%) |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|-------------|
| Mumbai-Pune ToT | 0 | 0 | 621 | 1,167 | 2,183 | NA | 87.1 | 3,350 | 0 | NA |
| Ahmedabad-Vadodara (EW) | 1,098 | 1,260 | 1,224 | 589 | 1,080 | (1.6) | 83.4 | 1,669 | 2,233 | (25.3) |
| Others* | 211 | 228 | 204 | 96 | 185 | (12.3) | 92.7 | 281 | 621 | (54.8) |
| Total Toll Revenues | 1,309 | 1,488 | 2,049 | 1,852 | 3,448 | 163.4 | 86.2 | 5,300 | 2,854 | 85.7 |

Source: Company, PL; Note(*): Includes Pune-Nashik and Thane Ghodbunder BOT, as company stopped giving project level data

Exhibit 4: SoTP Valuation

| Particulars | Segment | Driver | IRB's share | Multiple | Value (Rsmn) | Value per share (Rs) | Proportionate (%) of value per share | Basis |
|----------------------------------|---------------------|------------------------|--------------------|----------|---------------|----------------------|--------------------------------------|-----------------------|
| IRB's construction business | Construction | 3,679 | 100 | 5 | 18,393 | 52 | 34.5% | 5x on FY22 earnings |
| BOT | Toll/Annuity | IRB Invested Eq | IRB's share | | | | | |
| Ahmedabad Vadodara | Toll | 9,000 | 51% | 0.5 | 2,295 | 7 | 4.3% | Based on P/B multiple |
| Agra – Etawah | Toll | 7,569 | 51% | 0.8 | 3,088 | 9 | 5.8% | Based on P/B multiple |
| Solapur-Yedeshi | Toll | 3,933 | 51% | 0.8 | 1,605 | 5 | 3.0% | Based on P/B multiple |
| Kaithal Rajasthan Border | Toll | 6,198 | 51% | 0.8 | 2,529 | 7 | 4.7% | Based on P/B multiple |
| Udaipur Guj Border | Toll | 4,297 | 51% | 0.8 | 1,753 | 5 | 3.3% | Based on P/B multiple |
| Gulabpara Chittorgarh | Toll | 4,658 | 51% | 0.8 | 1,900 | 5 | 3.6% | Based on P/B multiple |
| Kishangarh Gulabpara | Toll | 3,308 | 51% | 0.8 | 1,350 | 4 | 2.5% | Based on P/B multiple |
| Goa/Karnataka Border to Kundapur | Toll | 5,362 | 51% | 0.8 | 2,188 | 6 | 4.1% | Based on P/B multiple |
| Yedeshi Aurangabad | Toll | 5,580 | 51% | 0.8 | 2,277 | 6 | 4.3% | Based on P/B multiple |
| Mumbai-Pune Project | TOT | 14,300 | 100% | 0.8 | 11,440 | 33 | 21.5% | |
| Total | | 64,205 | | | 30,424 | 87 | | |
| GIC deal Cash | | 30,000 | 100% | | 0 | 0 | | No value ascribed |
| Real Estate+ Sindhudurg Airport | Real Estate | 1,500 | 100% | 0 | 0 | 0 | | No value ascribed |
| Investment in IRB Invit | Invit | 9,000 | 100% | 0.5 | 4,500 | 13 | | |
| Grand Total | | 78,384 | | | 53,318 | 152 | | |

Source: Company, PL

Conference Call Highlights

- Management indicated that awarding momentum from NHAI looks very promising with 3,000km BOT bids scheduled by NHAI. Overall projects worth Rs600bn are lined up for awarding by NHAI in H2FY21 and IRB targets to add 4-6 additional projects worth Rs50-70bn in FY21E.
- IRB's consol revenues fell 35.9% YoY to Rs11.2bn despite healthy recovery in toll collection, as construction revenues remained subdued during the quarter and fell by 44% YoY to Rs7.6bn.
 - Toll revenues rebounded sharply with collections approaching pre-covid levels across IRB's portfolio towards end Sep'20, with some projects even witnessing YoY growth in toll collection.
- Construction order book as at 2QFY21 stands at Rs121.6bn of which O&M projects comprise of Rs70.4bn and EPC projects constitute Rs51.2bn. This translates into an order book-to-sales of 2.9x trailing construction revenues.
 - During the quarter, company bagged one HAM project worth Rs17.6 bn on Vadodara-Mumbai Expressway. Company expects to complete FC and receive AD in FY21 and the project is expected to start contributing to the revenues by Q4FY21E.
 - The company received COD on Yedeshir Aurangabad BOT project during the quarter leading to 15.5% rise in tariffs on this project.
- On consolidated basis, IRB's Gross debt rose to ~Rs150bn (from Rs143.5bn as at 1QFY21).
 - With Cash and Cash Equivalents at ~Rs21.5bn, Net D:E at consolidated level stands at 2.3.
 - Gross debt at standalone level stands at Rs32bn as at 2QFY21.
- The company is looking to raise Rs5.1bn (51:49 JV) through right issue in private InVIT and expects the process fund raising to complete by 3Q.

Financials

Income Statement (Rs m)

| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|--|---------------|---------------|---------------|---------------|
| Net Revenues | 68,522 | 54,902 | 59,925 | 64,300 |
| YoY gr. (%) | 2.2 | (19.9) | 9.1 | 7.3 |
| Cost of Goods Sold | 4,368 | 2,745 | 2,996 | 3,215 |
| Gross Profit | 64,155 | 52,157 | 56,929 | 61,085 |
| Margin (%) | 93.6 | 95.0 | 95.0 | 95.0 |
| Employee Cost | 2,874 | 2,745 | 2,996 | 3,215 |
| Other Expenses | 5,374 | 4,392 | 4,794 | 5,144 |
| EBITDA | 29,714 | 25,255 | 27,566 | 29,578 |
| YoY gr. (%) | 1.2 | (15.0) | 9.1 | 7.3 |
| Margin (%) | 43.4 | 46.0 | 46.0 | 46.0 |
| Depreciation and Amortization | 4,683 | 4,937 | 5,245 | 5,263 |
| EBIT | 25,031 | 20,318 | 22,320 | 24,315 |
| Margin (%) | 36.5 | 37.0 | 37.2 | 37.8 |
| Net Interest | 15,644 | 16,227 | 16,297 | 16,367 |
| Other Income | 1,950 | 2,031 | 2,217 | 2,379 |
| Profit Before Tax | 11,911 | 6,122 | 8,240 | 10,326 |
| Margin (%) | 17.4 | 11.2 | 13.8 | 16.1 |
| Total Tax | 4,544 | 1,959 | 2,637 | 3,304 |
| Effective tax rate (%) | 38.1 | 32.0 | 32.0 | 32.0 |
| Profit after tax | 7,367 | 4,163 | 5,603 | 7,022 |
| Minority interest and share in profit of associate | 158 | 253 | (1,000) | (1,000) |
| Adjusted PAT | 6,635 | 3,910 | 6,603 | 8,022 |
| YoY gr. (%) | (21.9) | (41.1) | 68.9 | 21.5 |
| Margin (%) | 9.7 | 7.1 | 11.0 | 12.5 |
| Extra Ord. Income / (Exp) | 574 | - | - | - |
| Reported PAT | 7,209 | 3,910 | 6,603 | 8,022 |
| YoY gr. (%) | (15.2) | (45.8) | 68.9 | 21.5 |
| Margin (%) | 10.5 | 7.1 | 11.0 | 12.5 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 7,209 | 3,910 | 6,603 | 8,022 |
| Equity Shares O/s (m) | 351 | 351 | 351 | 351 |
| EPS (Rs) | 18.9 | 11.1 | 18.8 | 22.8 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Non-Current Assets | | | | |
| Gross Block | 2,89,405 | 2,90,405 | 2,91,405 | 2,92,405 |
| Tangibles | 2,89,405 | 2,90,405 | 2,91,405 | 2,92,405 |
| Intangibles | - | - | - | - |
| Acc: Dep / Amortization | 12,700 | 17,636 | 22,882 | 28,145 |
| Tangibles | 12,700 | 17,636 | 22,882 | 28,145 |
| Intangibles | - | - | - | - |
| Net fixed assets | 2,76,705 | 2,72,768 | 2,68,523 | 2,64,260 |
| Tangibles | 2,76,705 | 2,72,768 | 2,68,523 | 2,64,260 |
| Intangibles | - | - | - | - |
| Capital Work In Progress | 4,030 | 4,030 | 4,030 | 4,030 |
| Goodwill | - | - | - | - |
| Non-Current Investments | 72,473 | 76,765 | 81,541 | 88,737 |
| Net Deferred tax assets | 570 | 570 | 570 | 570 |
| Other Non-Current Assets | 29 | 55 | 60 | 64 |
| Current Assets | | | | |
| Investments | - | - | - | - |
| Inventories | 3,314 | 4,513 | 4,925 | 5,285 |
| Trade receivables | 4,408 | 3,008 | 3,284 | 3,523 |
| Cash & Bank Balance | 22,707 | 25,748 | 24,955 | 30,444 |
| Other Current Assets | 4,266 | 4,392 | 5,393 | 5,787 |
| Total Assets | 3,98,285 | 4,01,875 | 4,04,277 | 4,14,541 |
| Equity | | | | |
| Equity Share Capital | 3,515 | 3,515 | 3,515 | 3,515 |
| Other Equity | 63,314 | 65,818 | 71,016 | 77,632 |
| Total Network | 66,829 | 69,333 | 74,530 | 81,146 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | 64,707 | 64,707 | 64,707 | 64,707 |
| Provisions | - | - | - | - |
| Other non current liabilities | 11,923 | 11,923 | 11,923 | 11,923 |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | 1,66,113 | 1,67,113 | 1,68,113 | 1,69,113 |
| Trade payables | 7,440 | 10,529 | 11,493 | 12,332 |
| Other current liabilities | 81,842 | 78,840 | 74,081 | 75,889 |
| Total Equity & Liabilities | 3,98,285 | 4,01,875 | 4,04,277 | 4,14,541 |

Source: Company Data, PL Research

Cash Flow (Rs m)

| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|--|-----------------|-----------------|-----------------|-----------------|
| PBT | 11,752 | 6,122 | 8,240 | 10,326 |
| Add. Depreciation | 4,683 | 4,937 | 5,245 | 5,263 |
| Add. Interest | 15,644 | 16,227 | 16,297 | 16,367 |
| Less Financial Other Income | 1,950 | 2,031 | 2,217 | 2,379 |
| Add. Other | (2,676) | - | - | - |
| Op. profit before WC changes | 29,403 | 27,287 | 29,783 | 31,957 |
| Net Changes-WC | 11,527 | 600 | (6,236) | (1,390) |
| Direct tax | (3,837) | (1,959) | (2,637) | (3,304) |
| Net cash from Op. activities | 37,092 | 25,928 | 20,910 | 27,262 |
| Capital expenditures | (52,012) | (1,000) | (1,000) | (1,000) |
| Interest / Dividend Income | (4,821) | - | - | - |
| Others | 7,781 | (5,000) | (5,000) | (5,000) |
| Net Cash from Invst. activities | (49,053) | (6,000) | (6,000) | (6,000) |
| Issue of share cap. / premium | - | - | - | - |
| Debt changes | 26,755 | 1,000 | 1,000 | 1,000 |
| Dividend paid | - | (1,406) | (1,406) | (1,406) |
| Interest paid | (12,827) | (16,227) | (16,297) | (16,367) |
| Others | 5,136 | (253) | 1,000 | 1,000 |
| Net cash from Fin. activities | 19,064 | (16,887) | (15,703) | (15,773) |
| Net change in cash | 7,104 | 3,041 | (793) | 5,489 |
| Free Cash Flow | (14,960) | 24,928 | 19,910 | 26,262 |

Source: Company Data, PL Research

Key Financial Metrics

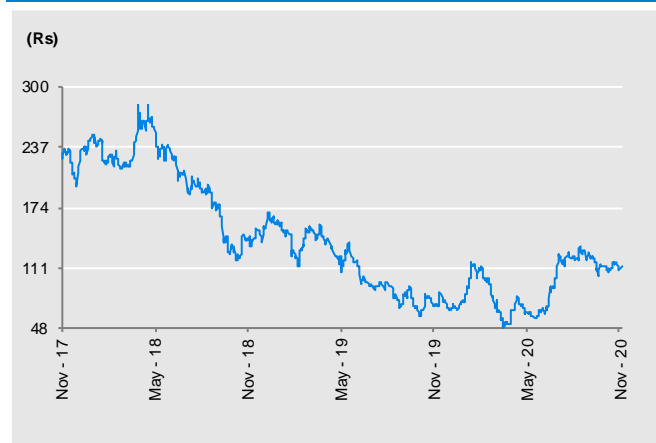
| Y/e Mar | FY20 | FY21E | FY22E | FY23E |
|----------------------------|--------|-------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 18.9 | 11.1 | 18.8 | 22.8 |
| CEPS | 32.2 | 25.2 | 33.7 | 37.8 |
| BVPS | 190.2 | 197.3 | 212.1 | 230.9 |
| FCF | (42.6) | 70.9 | 56.7 | 74.7 |
| DPS | - | - | - | - |
| Return Ratio(%) | | | | |
| RoCE | 7.4 | 6.8 | 7.3 | 7.8 |
| ROIC | 4.9 | 5.0 | 5.4 | 5.9 |
| RoE | 10.2 | 5.7 | 9.2 | 10.3 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | 3.1 | 3.0 | 2.8 | 2.5 |
| Net Working Capital (Days) | (354) | (440) | (363) | (343) |
| Valuation(x) | | | | |
| PER | 5.8 | 9.8 | 5.8 | 4.8 |
| P/B | 0.6 | 0.6 | 0.5 | 0.5 |
| P/CEPS | 3.4 | 4.3 | 3.2 | 2.9 |
| EV/EBITDA | 8.3 | 9.7 | 8.9 | 8.2 |
| EV/Sales | 3.6 | 4.5 | 4.1 | 3.8 |
| Dividend Yield (%) | - | - | - | - |

Source: Company Data, PL Research

Quarterly Financials (Rs m)

| Y/e Mar | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 |
|--|---------------|---------------|---------------|---------------|
| Net Revenue | 17,426 | 15,845 | 10,223 | 11,233 |
| YoY gr. (%) | (2.6) | (18.7) | (42.3) | (35.9) |
| Raw Material Expenses | 1,460 | 849 | 284 | 397 |
| Gross Profit | 15,966 | 14,995 | 9,939 | 10,837 |
| Margin (%) | 91.6 | 94.6 | 97.2 | 96.5 |
| EBITDA | 7,137 | 6,549 | 4,776 | 5,550 |
| YoY gr. (%) | (6.1) | (13.8) | (44.1) | (25.7) |
| Margin (%) | 41.0 | 41.3 | 46.7 | 49.4 |
| Depreciation / Depletion | 955 | 1,054 | 844 | 1,285 |
| EBIT | 6,182 | 5,495 | 3,932 | 4,265 |
| Margin (%) | 35.5 | 34.7 | 38.5 | 38.0 |
| Net Interest | 4,099 | 4,104 | 3,656 | 4,350 |
| Other Income | 475 | 504 | 512 | 455 |
| Profit before Tax | 2,558 | 2,469 | 788 | 370 |
| Margin (%) | 14.7 | 15.6 | 7.7 | 3.3 |
| Total Tax | 961 | 767 | 331 | 150 |
| Effective tax rate (%) | 37.6 | 31.1 | 42.0 | 40.5 |
| Profit after Tax | 1,597 | 1,702 | 457 | 220 |
| Minority interest / share in profit of associate | - | 158 | 759 | 417 |
| Adjusted PAT | 1,597 | 1,543 | (301) | (197) |
| YoY gr. (%) | (27.0) | (25.8) | (114.6) | (109.8) |
| Margin (%) | 9.2 | 9.7 | (2.9) | (1.8) |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 1,597 | 1,543 | (301) | (197) |
| YoY gr. (%) | (27.0) | (25.8) | (114.6) | (109.8) |
| Margin (%) | 9.2 | 9.7 | (2.9) | (1.8) |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 1,597 | 1,543 | (301) | (197) |
| Avg. Shares O/s (m) | 351 | 351 | 351 | 351 |
| EPS (Rs) | 4.5 | 4.4 | (0.9) | (0.6) |

Source: Company Data, PL Research

Price Chart
Recommendation History


| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1 | 08-Oct-20 | BUY | 152 | 112 |
| 2 | 25-Aug-20 | BUY | 152 | 125 |
| 3 | 21-Jul-20 | BUY | 139 | 114 |
| 4 | 07-Jul-20 | BUY | 139 | 113 |
| 5 | 19-Jun-20 | BUY | 139 | 71 |
| 6 | 07-Apr-20 | BUY | 127 | 53 |
| 7 | 26-Feb-20 | BUY | 130 | 93 |
| 8 | 14-Feb-20 | BUY | 130 | 99 |
| 9 | 03-Jan-20 | BUY | 130 | 77 |
| 10 | 23-Dec-19 | BUY | 130 | 69 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|---------------------------------|------------|---------|------------------|
| 1 | ABB | Hold | 880 | 894 |
| 2 | Ahluwalia Contracts (India) | BUY | 288 | 231 |
| 3 | Ashoka Buildcon | BUY | 147 | 69 |
| 4 | Bharat Electronics | Hold | 99 | 94 |
| 5 | BHEL | Hold | 34 | 28 |
| 6 | Capacite's Infraprojects | BUY | 162 | 144 |
| 7 | Container Corporation of India | BUY | 468 | 378 |
| 8 | Cummins India | Accumulate | 472 | 434 |
| 9 | Engineers India | BUY | 104 | 64 |
| 10 | GE T&D India | Hold | 86 | 86 |
| 11 | H.G. Infra Engineering | BUY | 259 | 186 |
| 12 | IRB Infrastructure Developers | BUY | 152 | 112 |
| 13 | ITD Cementation India | BUY | 67 | 50 |
| 14 | J.Kumar Infraprojects | BUY | 176 | 105 |
| 15 | Kalpataru Power Transmission | BUY | 296 | 251 |
| 16 | KEC International | Accumulate | 339 | 338 |
| 17 | KNR Constructions | BUY | 305 | 257 |
| 18 | Larsen & Toubro | BUY | 1,284 | 935 |
| 19 | NCC | BUY | 83 | 36 |
| 20 | PNC Infratech | BUY | 219 | 167 |
| 21 | Power Grid Corporation of India | BUY | 205 | 170 |
| 22 | Sadbhav Engineering | BUY | 87 | 52 |
| 23 | Siemens | BUY | 1,402 | 1,275 |
| 24 | Thermax | Accumulate | 798 | 790 |
| 25 | Triveni Turbine | BUY | 85 | 69 |
| 26 | Voltamp Transformers | BUY | 1,283 | 1,032 |

PL's Recommendation Nomenclature (Absolute Performance)

| | |
|--------------------------|-----------------------------------|
| Buy | : > 15% |
| Accumulate | : 5% to 15% |
| Hold | : +5% to -5% |
| Reduce | : -5% to -15% |
| Sell | : < -15% |
| Not Rated (NR) | : No specific call on the stock |
| Under Review (UR) | : Rating likely to change shortly |



ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Viral Shah- BE Chemical Engineering, MBA Finance, Mr. Shivang Joshi- CA, MCom Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Viral Shah- BE Chemical Engineering, MBA Finance, Mr. Shivang Joshi- CA, MCom Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com