

5 November 2020

KEC International

Non-T&D boost, execution ramp-up; maintaining a Buy

With better execution in its non-T&D business (railways/civil up 45%/306%), KEC's performance beat our expectations. Its T&D business, though better sequentially, was flat y/y at Rs2bn (largely in line with ARe). Management talked of a strong bid pipeline for this segment and we see robust order inflows in coming quarters. The execution ramp-up, robust revenue assurance (Rs195bn order backlog), strong bid pipeline, focus on reducing interest costs, and cash collection, gives us the required assurance of strong future execution and earnings. We maintain a Buy with an unchanged TP of Rs398 (13x FY23e).

Better execution in non-T&D: The Rs32.6bn Q2 FY21 revenue (up 16% y/y, much ahead of our estimated 5.3%) was mainly driven by higher-than-expected execution in the non-T&D business. Railways revenue was up 45% to Rs8.2bn due to higher execution owing to various automation initiatives. Civil revenue grew 306% y/y driven by execution of a robust order backlog. The Rs2bn T&D revenue was in line. Management expects H2 execution to be better.

Strong bid pipeline: YTD FY21 order inflows were up 16% y/y to Rs43.7bn. Management said that tendering have been robust; awarding, however, is slightly slow. This is reflected in the decline in inflows from key non-T&D segments. Geographically, the company managed to bag overseas orders of Rs25.8bn (59% of inflows). The overall bid pipeline is robust and the company has a strong order backlog + L1 position of over Rs230bn, providing robust revenue assurance for the next 1.5–2 years.

Outlook. The stock trades at 13x/11x FY22e/23e. With operations gradually picking up steam, we are upbeat about the company's execution for the rest of FY21. We expect 8%/12% CAGRs over FY20-23 in revenue/PAT. We maintain our Buy rating with an unchanged target price of Rs398. **Risks:** Slowdown in orders and in pace of execution.

| Key financials (YE Mar) | FY19 | FY20 | FY21e | FY22e | FY23e |
|-------------------------|---------|---------|---------|---------|---------|
| Sales (Rs m) | 110,005 | 119,654 | 121,738 | 135,616 | 149,618 |
| Net profit (Rs m) | 4,864 | 5,655 | 5,580 | 6,866 | 7,880 |
| EPS (Rs) | 18.9 | 22.0 | 21.7 | 26.7 | 30.6 |
| PE (x) | 15.8 | 15.4 | 15.6 | 12.7 | 11.0 |
| EV / EBITDA (x) | 7.9 | 8.6 | 8.9 | 7.5 | 6.7 |
| PBV (x) | 3.2 | 3.1 | 2.7 | 2.3 | 2.0 |
| RoE (%) | 21.9 | 21.6 | 18.5 | 19.7 | 19.5 |
| RoCE (%) | 26.1 | 23.5 | 19.5 | 20.5 | 20.9 |
| Dividend yield (%) | 0.9 | 1.2 | 1.5 | 1.9 | 2.2 |
| Net debt / equity (x) | 0.6 | 0.7 | 0.6 | 0.5 | 0.3 |

Source: Company, Anand Rathi Research

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Rating: **Buy**

Target Price: Rs398

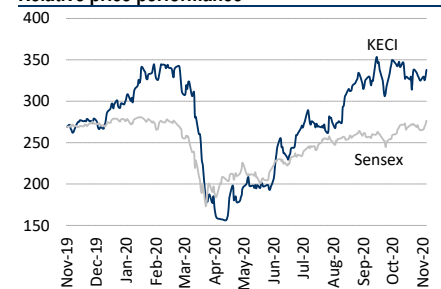
Share Price: Rs338

| Key data | KECI IN / KECL.NS |
|--------------------|-------------------|
| 52-week high / low | 360 / 154 |
| Sensex / Nifty | 41340 / 12120 |
| 3-m average volume | \$2.1m |
| Market cap | 87bn / \$1167.6m |
| Shares outstanding | 257m |

| Shareholding pattern (%) | Sep'20 | Jun'20 | Mar'20 |
|--------------------------|--------|--------|--------|
| Promoters | 51.8 | 51.7 | 51.7 |
| - of which, Pledged | - | - | - |
| Free float | 48.2 | 48.3 | 48.3 |
| - Foreign institutions | 11.0 | 13.7 | 13.2 |
| - Domestic institutions | 25.6 | 22.8 | 22.9 |
| - Public | 11.6 | 11.8 | 12.2 |

| Estimates revision (%) | FY21e | FY22e | FY23e |
|------------------------|-------|-------|-------|
| Sales | 5.3 | 1.5 | 0.0 |
| EBITDA | 3.1 | 1.6 | 0.0 |
| PAT | 5.5 | 2.4 | 0.0 |

Relative price performance



Source: Bloomberg

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Quick Glance – Financials and Valuations (consolidated)

Fig 1 – Income statement (Rs m)

| Year-end:Mar | FY19 | FY20 | FY21e | FY22e | FY23e |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| T&D order book | 203,070 | 202,980 | 216,456 | 244,584 | 285,612 |
| Net revenues | 110,005 | 119,654 | 121,738 | 135,616 | 149,618 |
| Growth (%) | 9.4 | 8.8 | 1.7 | 11.4 | 10.3 |
| Material cost | 81,230 | 84,182 | 86,793 | 95,203 | 105,032 |
| Employee & Other expense | 17,276 | 23,128 | 23,089 | 26,604 | 29,324 |
| EBITDA | 11,499 | 12,344 | 11,856 | 13,810 | 15,262 |
| EBITDA margins (%) | 10.5 | 10.3 | 9.7 | 10.2 | 10.2 |
| - Depreciation | 1,171 | 1,472 | 1,593 | 1,755 | 1,917 |
| Other income | 226 | 111 | 250 | 280 | 314 |
| Interest expenses | 3,119 | 3,080 | 2,762 | 2,798 | 2,714 |
| PBT | 7,435 | 7,903 | 7,750 | 9,536 | 10,944 |
| Effective tax rate (%) | 34.6 | 28.4 | 28.0 | 28.0 | 28.0 |
| + Associates / (Minorities) | - | - | - | - | - |
| Net Income | 4,864 | 5,655 | 5,580 | 6,866 | 7,880 |
| Adjusted income | 4,864 | 5,655 | 5,580 | 6,866 | 7,880 |
| WANS | 257 | 257 | 257 | 257 | 257 |
| FDEPS (Rs / sh) | 18.9 | 22.0 | 21.7 | 26.7 | 30.6 |
| EPS growth (%) | 6.1 | 16.3 | -1.3 | 23.1 | 14.8 |

Fig 3 – Cash-flow statement (Rs m)

| Year-end:Mar | FY19 | FY20 | FY21e | FY22e | FY23e |
|-------------------------------|--------|--------|--------|--------|--------|
| PBT | 7,435 | 7,903 | 7,750 | 9,536 | 10,944 |
| + Non-cash items | 4,064 | 4,441 | 4,106 | 4,273 | 4,318 |
| Oper. prof. before WC | 11,499 | 12,344 | 11,856 | 13,810 | 15,262 |
| - Incr. / (decr.) in WC | 6,555 | 6,054 | 3,462 | 2,391 | 3,553 |
| Others incl. taxes | 2,346 | 2,994 | 2,170 | 2,670 | 3,064 |
| Operating cash-flow | 2,653 | 3,107 | 6,213 | 8,739 | 8,635 |
| - Capex (tang. + intang.) | 1,048 | 3,744 | 1,520 | 2,020 | 2,020 |
| Free cash-flow | 1,604 | -637 | 4,693 | 6,719 | 6,615 |
| Acquisitions | - | - | - | - | - |
| - Div.(incl. buyback & taxes) | 843 | 1,222 | 1,339 | 1,648 | 1,891 |
| + Equity raised | - | - | - | - | - |
| + Debt raised | 574 | 3,650 | 2,400 | 300 | -700 |
| - Fin investments | 261 | -93 | -23 | -25 | -27 |
| - Misc. (CFI + CFF) | 626 | 3,516 | 3,057 | 3,068 | 2,955 |
| Net cash-flow | 449 | -1,632 | 2,719 | 2,328 | 1,096 |

Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 2 – Balance sheet (Ra m)

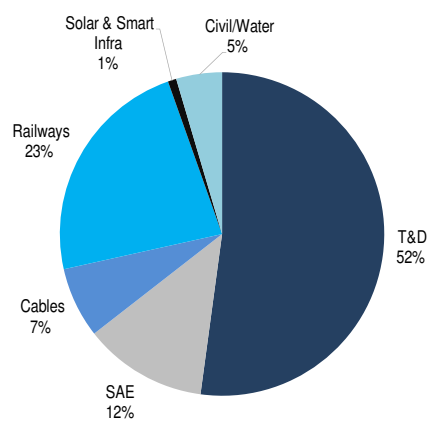
| Year-end: Mar | FY19 | FY20 | FY21e | FY22e | FY23e |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Share capital | 514 | 514 | 514 | 514 | 514 |
| Net worth | 24,351 | 27,976 | 32,217 | 37,435 | 43,424 |
| Debt | 16,968 | 20,618 | 23,018 | 23,318 | 22,618 |
| Minority interest | - | - | - | - | - |
| DTL / (Assets) | 1,497 | 751 | 751 | 751 | 751 |
| Capital employed | 42,816 | 49,344 | 55,985 | 61,503 | 66,792 |
| Net tangible assets | 8,666 | 8,942 | 8,849 | 9,093 | 9,176 |
| Net intangible assets | 1,121 | 2,350 | 2,360 | 2,370 | 2,380 |
| Goodwill | 2,037 | 2,226 | 2,226 | 2,226 | 2,226 |
| CWIP (tang. & intang.) | 73 | 840 | 850 | 860 | 870 |
| Investments (strategic) | 3,537 | 4,201 | 4,711 | 5,221 | 5,731 |
| Investments (financial) | 132 | 225 | 248 | 272 | 299 |
| Current assets (ex cash) | 98,617 | 108,856 | 112,753 | 124,865 | 138,576 |
| Cash | 2,762 | 1,130 | 3,849 | 6,178 | 7,274 |
| Current liabilities | 74,129 | 79,425 | 79,860 | 89,581 | 99,739 |
| Working capital | 24,488 | 29,431 | 32,894 | 35,284 | 38,837 |
| Capital deployed | 42,816 | 49,344 | 55,985 | 61,503 | 66,792 |
| Contingent liabilities | 11,814 | - | - | - | - |

Fig 4 – Ratio analysis

| Year-end:Mar | FY19 | FY20 | FY21e | FY22e | FY23e |
|---------------------------------|------|------|-------|-------|-------|
| P/E (x) | 15.8 | 15.4 | 15.6 | 12.7 | 11.0 |
| EV / EBITDA (x) | 7.9 | 8.6 | 8.9 | 7.5 | 6.7 |
| EV / Sales (x) | 0.8 | 0.9 | 0.9 | 0.8 | 0.7 |
| P/B (x) | 3.2 | 3.1 | 2.7 | 2.3 | 2.0 |
| RoE (%) | 21.9 | 21.6 | 18.5 | 19.7 | 19.5 |
| RoCE (%) - after tax | 26.1 | 23.5 | 19.5 | 20.5 | 20.9 |
| RoIC (%) - after tax | 19.4 | 18.5 | 15.4 | 16.9 | 17.5 |
| DPS (Rs / sh) | 2.7 | 4.0 | 5.2 | 6.4 | 7.4 |
| Dividend yield (%) | 0.9 | 1.2 | 1.5 | 1.9 | 2.2 |
| Dividend payout (%) – incl. DDT | 17.3 | 21.6 | 24.0 | 24.0 | 24.0 |
| Net debt / equity (x) | 0.6 | 0.7 | 0.6 | 0.5 | 0.3 |
| Receivables (days) | 272 | 277 | 281 | 281 | 284 |
| Inventory (days) | 21 | 24 | 26 | 25 | 24 |
| Payables (days) | 178 | 170 | 165 | 168 | 171 |
| CFO : PAT% | 54.5 | 54.9 | 111.3 | 127.3 | 109.6 |

Source: Company, Anand Rathi Research

Fig 6 – Q2 FY21 revenue break-up



Source: Company, Anand Rathi Research

Result Highlights

Fig 7 – Quarterly trend

| (Rs m) | Q2 FY21 | Q2 FY20 | Y/Y (%) | Q1 FY21 | Q/Q (%) | H1 FY21 | H1 FY20 | Y/Y (%) |
|--------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Net revenue | 32,577 | 28,088 | 16.0 | 22,068 | 47.6 | 54,644 | 52,213 | 4.7 |
| EBITDA | 2,931 | 2,938 | (0.2) | 1,949 | 50.4 | 4,880 | 5,451 | (10.5) |
| EBITDA margins (%) | 9 | 10 | | 9 | | 9 | 10 | |
| Other income | 68 | 36 | 88.6 | 69 | (2.0) | 137 | 63 | 116.5 |
| Depreciation | 374 | 347 | 7.7 | 391 | (4.3) | 765 | 714 | 7.2 |
| Interest | 674 | 822 | (17.9) | 663 | 1.8 | 1,337 | 1,617 | (17.3) |
| Profit before tax | 1,950 | 1,805 | 8.0 | 964 | 102.2 | 2,915 | 3,184 | (8.5) |
| Tax | 525 | 414 | | 257 | | 781 | 907 | |
| Adjusted PAT | 1,426 | 1,391 | 2.5 | 708 | 101.3 | 2,134 | 2,277 | (6.3) |
| Net margins (%) | 4.4 | 5.0 | | 3.2 | | 3.9 | 4.4 | |
| EPS (Rs) | 5.5 | 5.4 | 2.5 | 2.7 | 101.3 | 8.3 | 8.8 | (6.3) |

Source: Company, Anand Rathi Research

Fig 8 – Segment-wise results (consolidated)

| Rs m | Q2 FY21 | Q2 FY20 | %yoy | Q1 FY21 | %qoq | H1 FY21 | H1 FY20 | %yoy |
|---------------|---------------|---------------|-----------|---------------|-----------|---------------|---------------|------------|
| T&D | 16,210 | 16,220 | (0) | 11,760 | 38 | 27,970 | 29,160 | (4.1) |
| SAE | 3,560 | 3,560 | - | 2,780 | 28 | 6,340 | 6,610 | (4.1) |
| Cables | 2,490 | 2,490 | - | 1,590 | 57 | 4,080 | 5,120 | (20.3) |
| Railways | 8,210 | 5,680 | 45 | 5,210 | 58 | 13,420 | 10,900 | 23.1 |
| Solar | 670 | 190 | 253 | 190 | 253 | 860 | 530 | 62.3 |
| Civil/Water | 2,120 | 520 | 308 | 1,030 | 106 | 3,150 | 1,170 | 169.2 |
| Inter-segment | (680) | (570) | 19 | (492) | 38 | (1,172) | (1,280) | (8.4) |
| Total | 32,580 | 28,090 | 16 | 22,068 | 48 | 54,648 | 52,210 | 4.7 |

Source: Company, Anand Rathi Research

Fig 9 – Order book

| (Rs m) | Q3 FY18 | Q4 FY18 | Q1 FY19 | Q2 FY19 | Q3 FY19 | Q4 FY19 | Q1 FY20 | Q2 FY20 | Q3 FY20 | Q4 FY20 | Q1 FY21 | Q2 FY21 | %yoy |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------|
| Transmission | 108,032 | 103,788 | 109,146 | 120,810 | 129,730 | 119,811 | 119,801 | 105,327 | 106,753 | 100,465 | 100,378 | 105,381 | 0.1 |
| SAE | 17,148 | 19,028 | 18,373 | 20,135 | 20,592 | 20,307 | 13,311 | 10,417 | 13,427 | 10,252 | 7,873 | 5,855 | (43.8) |
| Cables | 3,430 | 3,460 | 2,547 | 4,027 | 4,118 | 4,061 | 3,803 | 3,617 | 4,182 | 4,101 | 3,936 | 3,903 | 7.9 |
| Solar & Smart Infra | 3,430 | 1,730 | 364 | 2,014 | 618 | 2,031 | 1,902 | 1,809 | 2,421 | 2,050 | 1,968 | 1,952 | 7.9 |
| Railways | 36,011 | 41,515 | 47,297 | 50,338 | 47,362 | 52,798 | 47,540 | 52,447 | 68,454 | 59,459 | 55,110 | 50,739 | (3.3) |
| Civil/Water | 3,430 | 3,460 | 4,184 | 4,027 | 4,118 | 4,061 | 3,803 | 7,234 | 24,872 | 26,654 | 27,555 | 27,321 | 277.7 |
| Total | 171,480 | 172,980 | 181,910 | 201,350 | 206,538 | 203,070 | 190,160 | 180,850 | 220,110 | 205,030 | 205,031 | 205,032 | 13.4 |

Source: Company, Anand Rathi Research

Fig 10 – Order intake

| (Rs m) | Q3 FY18 | Q4 FY18 | Q1 FY19 | Q2 FY19 | Q3 FY19 | Q4 FY19 | Q1 FY20 | Q2 FY20 | Q3 FY20 | Q4 FY20 | Q1 FY21 | Q2 FY21 | %yoy |
|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Transmission | 25,769 | 24,307 | 13,932 | 36,039 | 24,041 | 13,308 | 5,129 | 5,037 | 23,090 | 11,790 | 13,517 | 18,791 | 273.1 |
| SAE | 1,511 | 2,668 | 330 | 6,809 | 4,391 | 1,146 | 1,450 | 1,591 | - | 4,630 | 966 | 1,218 | (23.5) |
| Cables | 2,718 | 1,529 | 2,034 | 4,312 | 2,878 | 635 | 3,680 | 3,711 | 3,070 | 2,560 | 2,317 | 1,612 | (56.6) |
| Solar & Smart Infra | 25,632 | 12,474 | 9,288 | 8,162 | 3,304 | 10,231 | - | 13,255 | 21,100 | 4,490 | - | 2,183 | (83.5) |
| Railways | (236) | - | 110 | 1,873 | 323 | 511 | - | 106 | - | 1,040 | - | 437 | 311.7 |
| Civil/Water | 1,647 | 9 | 2,116 | 1,453 | 1,043 | 2,430 | 892 | 2,916 | 18,800 | 3,140 | 2,510 | 109 | (96.3) |
| Total | 57,041 | 40,987 | 27,810 | 58,649 | 35,980 | 28,260 | 11,151 | 26,615 | 66,060 | 27,650 | 19,310 | 24,350 | (8.5) |

Source: Company, Anand Rathi Research

Fig 11 – Cost structure

| Rs m | Q3 FY18 | Q4 FY18 | Q1 FY19 | Q2 FY19 | Q3 FY19 | Q4 FY19 | Q1 FY20 | Q2 FY20 | Q3 FY20 | Q4 FY20 | Q1 FY21 | Q2 FY21 |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Sales | 24,049 | 36,624 | 21,043 | 24,085 | 26,466 | 38,412 | 24,125 | 28,088 | 30,731 | 36,710 | 22,068 | 32,577 |
| Material cost | 11,720 | 21,093 | 10,123 | 12,063 | 12,585 | 19,326 | 11,157 | 13,903 | 14,388 | 16,468 | 10,253 | 15,205 |
| Employee cost | 1,916 | 2,208 | 2,034 | 2,068 | 2,111 | 2,109 | 2,217 | 2,747 | 3,014 | 3,067 | 2,525 | 2,704 |
| Erection and sub contracting charges | 5,663 | 6,797 | 5,140 | 5,095 | 6,418 | 10,481 | 5,717 | 5,538 | 7,035 | 9,977 | 5,000 | 8,349 |
| Other expense | 2,310 | 2,826 | 1,583 | 2,327 | 2,539 | 2,505 | 2,520 | 2,962 | 3,110 | 3,492 | 2,341 | 3,388 |
| % of sales | | | | | | | | | | | | |
| Material cost | 48.7 | 57.6 | 48.1 | 50.1 | 47.6 | 50.3 | 46.2 | 49.5 | 46.8 | 44.9 | 46.5 | 46.7 |
| Employee cost | 8.0 | 6.0 | 9.7 | 8.6 | 8.0 | 5.5 | 9.2 | 9.8 | 9.8 | 8.4 | 11.4 | 8.3 |
| Erection and sub contracting charges | 23.5 | 18.6 | 24.4 | 21.2 | 24.2 | 27.3 | 23.7 | 19.7 | 22.9 | 27.2 | 22.7 | 25.6 |
| Other expense | 9.6 | 7.7 | 7.5 | 9.7 | 9.6 | 6.5 | 10.4 | 10.5 | 10.1 | 9.5 | 10.6 | 10.4 |
| EBITDA margin | 10.2 | 10.1 | 10.3 | 10.5 | 10.6 | 10.4 | 10.4 | 10.5 | 10.4 | 10.1 | 8.8 | 9.0 |

Source: Company, Anand Rathi Research

Concall highlights

Margin guidance of 10%+ intact

The margin contracted 150bps y/y to 9% on the higher proportion of the non-T&D business, cost escalation in SAE due to depreciation in the Brazilian *real* and Covid-related expenses. In the long run, management continues to talk about 10%+ margins. It expects a double-digit margin from FY23 in its Civil business and hopes to achieve a double-digit margin in the Railways category in FY21.

Order inflow to be watched

The company booked orders of Rs43.7bn YTD FY21; the order backlog and its L1 position is over Rs230bn. The book in Sep'20 was Rs195bn. The T&D contribution to order intake was 79% (incl. SAE: 5%) and this division also has a strong L1 position. Further, the company expects robust order booking in H2 FY21. In terms of a tender pipeline, it has already quoted for orders of Rs300bn in the last three months and would be bidding for orders of another Rs250bn in the next two months.

Internationally, Africa, the Middle East and SAARC are seeing traction in ordering. In the Middle East, orders of Rs100bn-120bn are in the bidding process, expected to close in Q3 FY21. Decent SEB activity can be seen from states like Karnataka, Tamil Nadu, Andhra Pradesh, Assam, West Bengal, Odisha and Rajasthan. Awarding from PGCIL to EPC operators can be expected by Dec'20 and from private operators by Jan'21. Despite order rollouts being robust, awarding is slightly slow. Four L1 orders in SAE are being negotiated and should be concluded by Q3 or Q4 FY21. These orders are executable from Q1 FY22.

Non-T&D business revenue contribution inched up

The non-T&D business accounted for 41% of Q2 revenue, against 32% a year ago. This figure is expected to climb to 45-46% in FY21. The Railways accounted for 25% of revenue, followed by cables (7.6%) and civil (6.5%). The balance arose from solar and “smart” infra.

Diversification in the railways division

The Railways' Q2 revenue was up 45% to Rs8.2bn, driven by various execution initiatives by KEC in terms of automation and mechanisation. These improved productivity at sites by 2-3x. Management expects Rs35bn revenue in FY21 and hopes for a double-digit margin. The lower Q2 Railways margin was due to the Covid-19 pandemic lockdown.

The company is looking to diversify itself from overhead electrification to other areas of the Railways business such as civil works and metro-rail (OHE and civil: track laying, power supply, etc.). The shift in focus has led to revenue from non-OHE orders rising to two-thirds of the Railways order book. The Railways order inflow in Q2 was Rs1.2bn and its order book was Rs50.7bn in Sep'20.

Civil business expected to pick up significantly

The civil business is also quickly ramping up, with revenue up ~4x to Rs2.1bn in Q2. Driven by significant order wins, its contribution to the order book has climbed to 14% in the last nine months compared to sub-5% before Q2 FY20. Management said that this business is likely to clock Rs14-15bn revenue in FY21. It expects margins in the Civil category to touch double-digits by end-FY22. The order book ahead is expected to

grow robustly. It sees traction from metro civil, water pipeline, warehouses, data centres, industrials (hydrocarbons, auto, cement, chemicals), hospitals and airports. In Q2 it bagged orders in flue-gas de-sulfurization (FGD) and warehousing.

With efficient working-capital management, lower interest cost

Net debt on Sep'20 was Rs24.3bn, within its targeted range of Rs25bn. Interest cost as percent of sales was down to 2.1%, an 80bp reduction y/y. This cost is expected to be below 2% in coming quarters. Rs25bn debt is expected for the next 2-3 years; however, interest cost would come down on account of efficient working-capital management.

The company aims targets to bring down NWC days from 132 to 100-110. Forex gain in Q2 was Rs40m-50m as foreign-currency debt constitutes 60% of borrowings (the rest is rupee debt). The company is switching back to Indian rupee loans due to lower interest rates.

Collections: No headwinds faced

The company is not facing any headwinds in collections from customers and has collected payment from the Railways and private clients in the civil segment. Collections in the Mid-East are also normal.

Other key highlights

- Execution in Q2 was better on account of more labour available and greater productivity due to mechanisation, automation and digitisation.
- The tower plant in Dubai has been commissioned.
- The withdrawal of MEIS by the government had a minor impact of Rs50m-100m in Q2, expected to be Rs100m-150m in Q3 FY21.

Valuation

With its strong order book and healthy L1 position, KEC's revenue assurance is sound. With increasing traction from the Railways and its civil businesses, its prospects are indeed promising. However, the pace of execution and of order inflows would be key points to monitor. The stock trades at 16x, 13x and 11x respective FY21e, FY22e and FY23e. We maintain our Buy rating, with a TP of Rs398 (13x FY23e earnings).

Fig 12 – Change in estimates

| | Old | | | New | | | Change % | | |
|----------|---------|---------|---------|---------|---------|---------|----------|------|-------|
| | FY21 | FY22e | FY23e | FY21 | FY2e | FY23e | FY21 | FY2e | FY23e |
| Revenue | 115,580 | 133,610 | 149,618 | 121,738 | 135,616 | 149,618 | 5.3 | 1.5 | 0.0 |
| EBITDA | 11,502 | 13,588 | 15,262 | 11,856 | 13,810 | 15,262 | 3.1 | 1.6 | 0.0 |
| EPS (Rs) | 20.6 | 26.1 | 30.6 | 21.7 | 26.7 | 30.6 | 5.5 | 2.4 | 0.0 |

Source: Anand Rathi Research

Fig 13 – One-year-forward PER



Source: Company, Anand Rathi Research

Key risks

- Slowdown in orders awarded.
- Slower pace of execution.

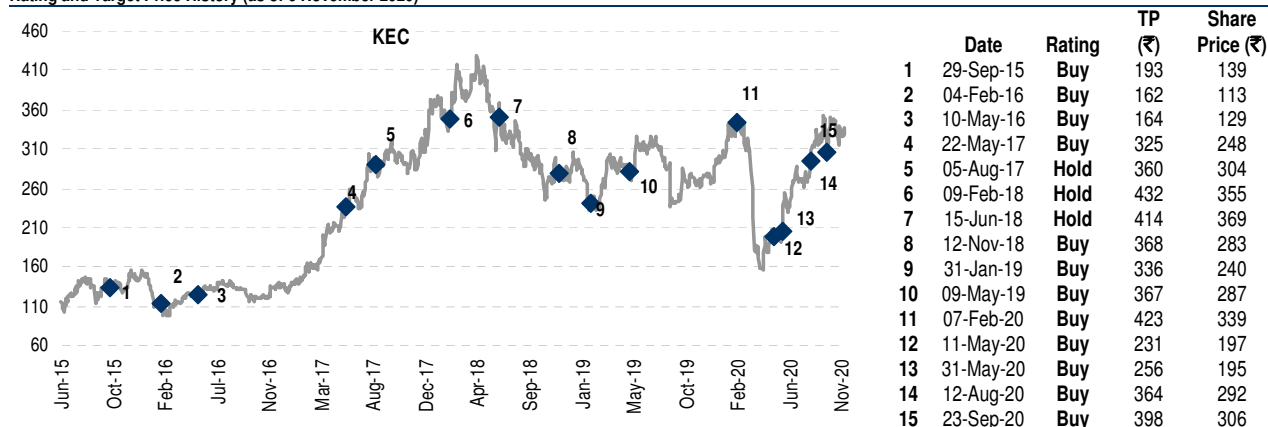
Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Important Disclosures on subject companies

Rating and Target Price History (as of 6 November 2020)



Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US\$1bn) and Mid/Small Caps (<US\$1bn) as described in the Ratings Table below:

Ratings Guide (12 months)

| | Buy | Hold | Sell |
|---------------------------|------|-------|------|
| Large Caps (>US\$1bn) | >15% | 5-15% | <5% |
| Mid/Small Caps (<US\$1bn) | >25% | 5-25% | <5% |

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