

Antony Waste Handling Cell

Rating: SUBSCRIBE | Price Band: Rs313-315

Capex driven business model

We recommend SUBSCRIBE rating on Antony Waste Handling Cell (AWHCL) IPO issue on a near term basis as we see reasonable listing gains given strong market sentiment and enormous outperformance of the recent public issues. However, we remain cautious on its long term growth based on factors like large dependency on projects from State government authorities primarily Municipal Corporations (unstable budget allocation for MSW management), highly competitive market (with presence of local, national and global players), untested and still emerging business model, huge capex required for growth and rich valuation (19.6x FY20 EPS vs PL Infra coverage universe at an average of ~12x. AWHCL emerged as a strong player providing full spectrum of Municipal Solid Waste (MSW) management services with a diversified project portfolio across segments, geographies and clientele. It is one of the top five players in Indian MSW management industry having resources to handle large-scale projects for municipalities and private players. Over FY16-20, AWHCL's revenues/ EBITDA/ Adj. PAT grew at a CAGR of 18.7%/ 19.5%/ 27.6% respectively. At upper end of the price band, this issue is trading at a P/E of 19.6x and an EV/EBITDA of 8.5x as on FY20 earnings.

- **Growing MSW market in India offers huge opportunities:** With rising population, increasing urbanization, changing lifestyle patterns and rising disposable incomes, **MSW waste generation in India is expected to grow at 8.9% CAGR over FY20-25E**. Consequently, rising need for effective waste management and scientific disposal would lead to **MSWM market doubling in size from ~Rs50bn in FY20 to ~Rs98bn in FY25E**, improving growth prospects of large players like AWHCL.
- **Various Government Initiatives give required push to the sector:** Swachh Bharat Mission and Smart City Mission (providing higher budgetary allocation), coupled with government subsidies for projects such as Waste-to-Energy (WTE), are key drivers for rising private-sector participation in the sector.
- **Strong track record of project implementation:** With over 19 years of experience and after handling ~25 projects in MSW space, **AWHCL grew to be one of the top five players in Indian MSW management industry providing full spectrum of MSW services** including solid waste collection, transportation, sweeping, processing and disposal services across the country.
- **Diversified portfolio of projects:** AWHCL has a portfolio of **18 ongoing projects which include 12 MSW Collection & Transportation (C&T) projects, 4 mechanized sweeping projects and 2 MSW processing projects**. Further the portfolio is well diversified across a) nature of services provided, b) counterparties, c) project duration and d) geographical areas.
- **Venturing into emerging Waste-to-energy (WTE) space:** India's **WTE potential is estimated to grow to 1,075MW by 2031 and 2,780MW by 2050**. The company is already operating a 0.97MW WTE plant at Kanjurmarg and is developing a 14MW WTE plant at Pimpri-Chinchwad. With huge potential in the long run, **AWHCL intends to continue bidding for commercially viable WTE projects** from financially strong municipalities and private players.

December 21, 2020

IPO Note

IPO Fact Sheet

| | |
|---------------------------------|---|
| Opening Date | 21 st December '20 |
| Closing Date | 23 rd December '20 |
| BRLMs | Equirus Capital Pvt. Ltd. & IIFL Securities Ltd. |
| Issue Size | Rs2,980.8mn (lower band) / Rs2,999.9mn (upper band) |
| Numbers of shares offered (Net) | 9.5mn |
| Post issue number of shares | 28.3mn |
| Face value | Rs5 |
| Bid lot | 47 shares |

Issue Structure

| | |
|--------|------------------------------------|
| QIB | Not more than 50% of the net offer |
| NIB | Not less than 15% of the Offer |
| Retail | Not less than 35% of the Offer |

Issue Details

| | |
|-------------------------------|----------------|
| Pre-issue equity (m shares) | 25.6 |
| Post-issue equity (m shares) | 28.3 |
| Post-issue Market Cap (Rs bn) | Rs8.85/ Rs8.91 |

Object of the Issue

The Issue comprises a Fresh Issue and an Offer for Sale. New proceeds of the fresh issue are proposed to be utilized for:

1. Part-financing for PCMC Waste-To-Energy Project
2. Reduction of the aggregate consolidated outstanding borrowings of the company
3. General corporate purposes

Shareholding Pattern

| (%) | Pre-Issue | Post-Issue |
|-----------------|-----------|------------|
| Promoters | 51.1% | 46.2% |
| Public & Others | 48.9% | 53.8% |

Viral Shah

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Shivang Joshi

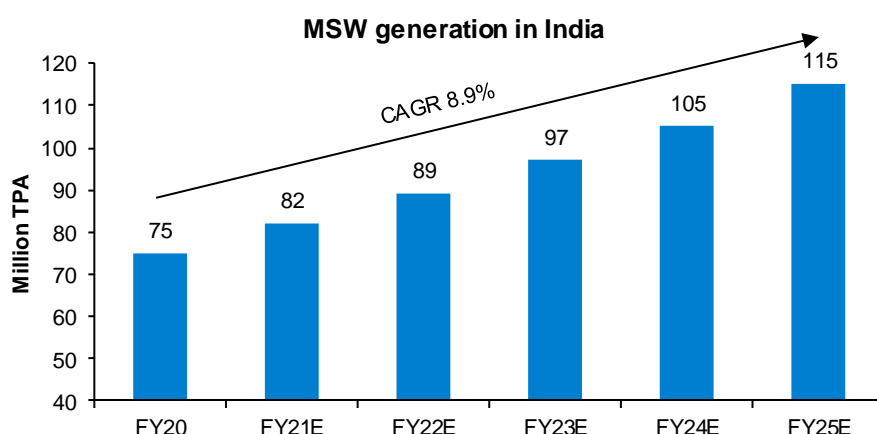
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Investment Thesis

Growing Municipal Solid Waste (MSW) management market in India offers huge opportunities:

Indian Waste Management market is in growth stage with rising population and increasing urbanization being the major drivers. Other factors such as changing lifestyle patterns and increasing disposable incomes have also contributed in rising waste generation. As per Frost & Sullivan report dated Sep'20, **MSW generation in India is expected to grow at 8.9% CAGR (over FY20-25E) from 75mnTPA in FY20 to 115mnTPA by FY25E.**

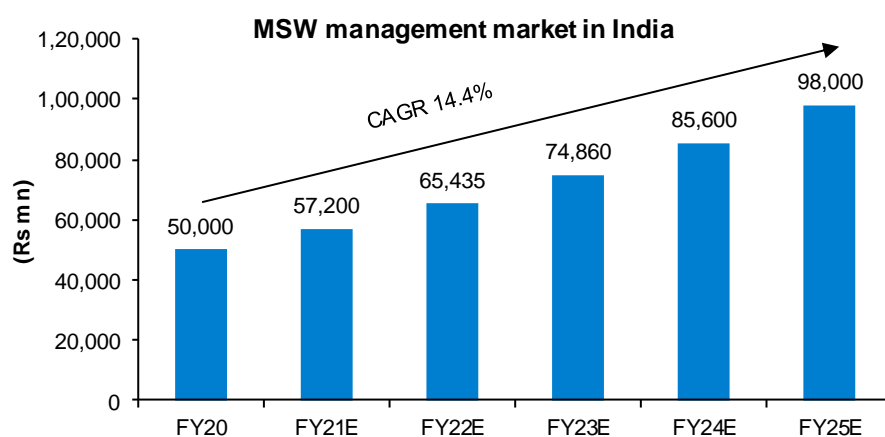
Exhibit 1: MSW generation in India is expected to grow at 8.9% CAGR



Source: Company, Frost & Sullivan Analysis, PL

We believe that growing urbanization with rising influx of rural population, improved standard of living that demands quality services and living spaces, stringent environmental regulations and rising social awareness on ill effects of improper solid waste disposal has led to increased participation of professional players in collection, transportation and waste processing services. This paved way for development of scientific recycling and disposal methods for better MSW management, which is a key growth driver for this market. **MSW Management market in India is expected to grow at 14.4% CAGR from ~Rs50bn in FY20 to ~Rs98bn in FY25E.**

Exhibit 2: Management market of MSW is estimated to grow at 14.4% CAGR



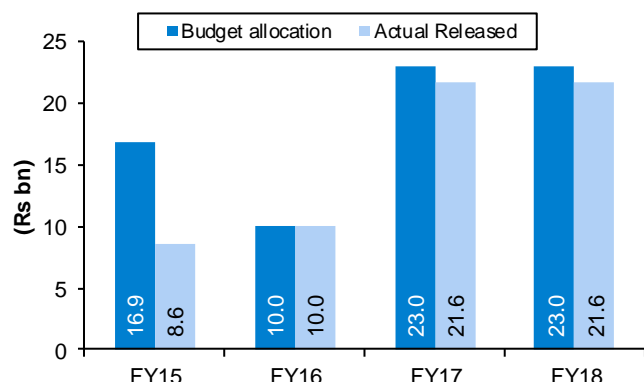
Source: Company, Frost & Sullivan Analysis, PL

Management believes that its past experience of handling several large projects, financial strength, strong acumen and resultant credentials will make it eligible to participate in most projects that come up for bidding in the MSW management space.

Government reforms and initiatives give required push to the sector

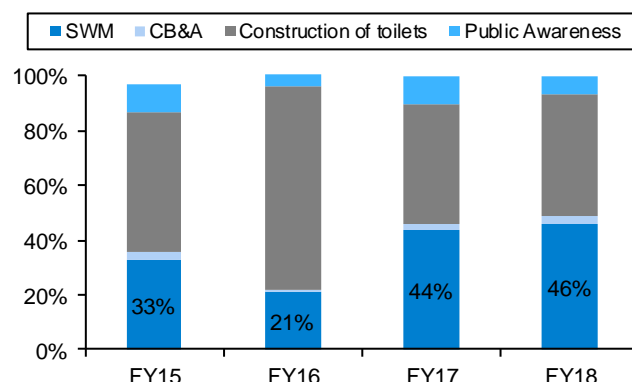
To effectively deal with rising waste generation and increase the gamut of scientific disposal and waste processing, government has initiated various reforms to improve standards of waste management in India. **Swachh Bharat Mission (SBM) and Smart City Mission coupled with government subsidies for projects such as Waste-to-Energy (WTE), have been key drivers to increase private-sector participation in the sector.** Swachh Bharat Mission – Urban project cost aims to achieve 100% collection, transportation, processing and disposal of municipal waste across all major cities/towns in the country. **SBM has an estimated project cost of Rs620bn: Central Government's share is at Rs148bn while balance to be financed by State Governments.** Also, Smart City Mission is facilitating local municipalities in adopting smart technologies (e.g. RFID and GPS) in city's integrated waste management system.

Exhibit 3: Sharp growth in SBM budget allocation since FY17



Source: Company, Budget Brief on Swachh Bharat Mission, PL

Exhibit 4: MSWM allocation in SBM rose to 46% in FY18



Source: Company, Budget Brief on Swachh Bharat Mission, PL

In 2016, MoEF revised all Waste (Management & Handling) Rules to bring greater accountability and effective implementation of waste management. Rules have been laid with clear guidelines for various Municipal Corporations regarding waste collection, storage, segregation, transportation, processing and its disposal. **On the back of such strong policy reforms and emerging opportunities to harness under-utilized resources in the waste streams through reuse, recovery, and recycling have led to increased participation of private players in this space.**

PPP (Public Private Partnership) is perceived as a solution to various issues faced by the municipalities such as funding, technology, manpower etc. In the initial stages, PPP was limited to street sweeping, collection and transportation. **Slowly the PPP contracts are expanding to waste processing & treatment, WTE and safe disposal of waste wherein a full spectrum waste management service company like AWHCL is expected to be a major beneficiary.**

Strong track record of project implementation

AWHCL has been operating in MSW management services industry for over 19 years and has undertaken more than 25 projects as at Nov'20 (including 18 ongoing projects). It provides full spectrum of MSW services that includes solid waste collection, transportation, sweeping, processing and disposal services across the country, primarily catering to Indian Municipalities and has grown to be one of the top five players in Indian MSW management industry. Having executed a host of complex municipal solid waste management projects, the company has an established track-record as a comprehensive service provider equipped with technical expertise and financial resources to handle large-scale projects.

Diversified portfolio of projects

AWHCL has a strong portfolio of 18 ongoing projects as on 15th Nov'20, of which 12 are MSW Collection and Transportation (C&T) projects, 4 are mechanized sweeping projects and balance 2 are MSW processing projects. The project portfolio is well diversified across a) nature of services, b) counterparties (municipal corporations across India), c) project duration, d) nature of contracts and e) geographical areas. Revenues across all projects are based on rates agreed-upon while commencing the project for a specific period under the contract and actual work undertaken (with escalation clauses for labour and fuel costs). Majority of the projects have different time periods, leading to contract expiring at different times. This de-risks the company's business model and leads to a staggered revenue stream.

Exhibit 5: Snapshot of AWHCL's current portfolio of 18 projects

| | Project Name | C&T | Mechanized Sweeping | MSW Processing | Start Year | End Year |
|----|--|-----|---------------------|----------------|------------|----------|
| 1 | Thane Project | ✓ | | | 2012 | 2020 |
| 2 | Navi Mumbai Project | ✓ | | | 2015 | 2022 |
| 3 | Mangaluru Project | ✓ | ✓ | | 2015 | 2022 |
| 4 | Greater Noida Project-Zone 1 | ✓ | ✓ | | 2018 | 2019* |
| 5 | Greater Noida Project-Zone 2 | ✓ | ✓ | | 2018 | 2019* |
| 6 | Jaypee Project | ✓ | | | 2012 | 2020 |
| 7 | North Delhi Project | ✓ | | | 2018 | 2018* |
| 8 | Dahisar Project | ✓ | | | 2018 | 2025 |
| 9 | Pimpri Chinchwad Municipal Corporation – South Zone Project | ✓ | | | 2019 | 2027 |
| 10 | Nagpur Municipal Corporation Project | ✓ | | | 2019 | 2029 |
| 11 | New Okhla Industrial Development Authority ("Noida") Project | ✓ | | | 2019 | 2029 |
| 12 | Varanasi Project | ✓ | ✓ | | 2020 | 2027 |
| 13 | Navi Mumbai Sweeping Project | | ✓ | | 2012 | 2019* |
| 14 | Greater Noida Sweeping Project #1 | | ✓ | | 2016 | 2023 |
| 15 | Greater Noida Sweeping Project #2 | | ✓ | | 2012 | 2019* |
| 16 | Greater Noida Sweeping Project #3 | | ✓ | | 2016 | 2023 |
| 17 | Kanjur Project | | | ✓ | 2010 | 2036 |
| 18 | Pimpri Chinchwad Municipal Corporation Project | | | ✓ | 2019 | 2040 |

Source: Company, PL. Note: *Projects have been extended. In the past, projects were usually extended for 1-2 years post original agreement period.

Moving up the MSW value chain by venturing into Waste-to-energy (WTE) projects

Waste to energy (WTE) is an increasingly pursued medium for waste disposal across globe. With rising energy demand in India and Government taking several initiatives, waste-to-energy market is expected to see more PPP based projects. Based on estimates from Standing Committee on Energy, Ministry of New and Renewable Energy, **India's waste-to-energy potential is expected to enhance to 1,075MW by 2031 and 2,780MW by 2050. Hence, WTE segment offers huge potential in the long run.**

AWHCL's step-down subsidiary Antony Lara Renewables Energy Private Ltd (ALREPL), was **awarded a contract in FY19 for setting up and operating a 14MW WTE plant by Pimpri Chinchwad Municipal Corporation (PCMC). The WTE plant would be constructed with an estimated Capex of Rs2.3bn and would have a capacity of consuming 700tn/day of processed MSW.**

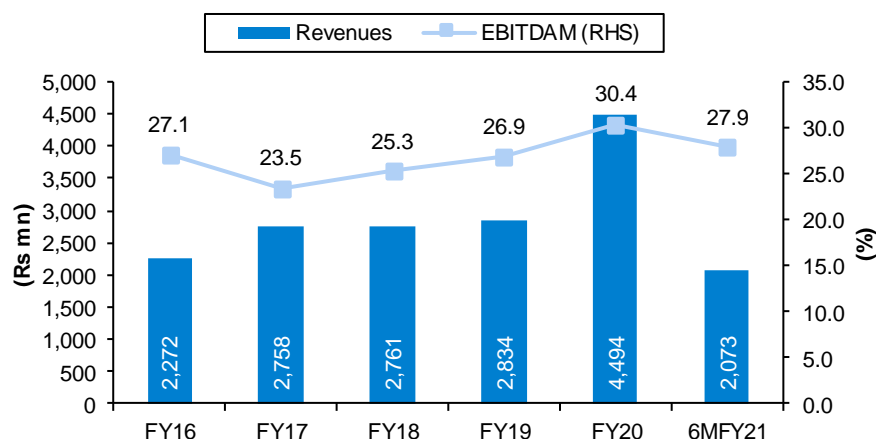
Also at its flagship Kanjurmarg project, AWHCL's subsidiary Antony Lara Enviro Solutions Private Ltd (ALESPL) has been operating a 0.97 MW landfill gas-to-energy plant at Kanjurmarg facility since 2014, with electricity generated currently being used for captive consumption.

The company intends to continue to bid for commercially viable WTE projects from financially strong municipalities and private players.

Key points from Financials Statements

- In **FY20, revenues grew 59% YoY to Rs4.5bn** (vs ~Rs2.8bn levels in FY19 & FY18). This was mainly driven by **incremental revenue from 4 new C&T projects (Mumbai-Dahisar, Noida, Nagpur and Pimpri-Chinchwad)** which the company bagged in FY18/19 but mobilization of assets was completed and major revenue generation commenced in FY20.
- EBITDAM continued to be robust at 27.9% in FY20 but softened to 25% for 1HFY21. Company's margins are largely protected due to escalation clauses in the agreements for minimum wages and fuel costs which make up ~25% and ~15% of the total costs.
- **Company incurred big capex in FY20 taking gross block to Rs2bn (vs Rs1.1bn in FY19).** Consequently, depreciation rose 32% YoY to Rs242mn. The **above Capex was mainly for the 4 new C&T projects** and doesn't include major capex plan of Rs2.3bn for upcoming Pimpri-Chinchwad Waste-to-energy plant (which would be incurred over FY21 & 22).
- The **incremental capex was primarily financed by debt** which led borrowings to go up by Rs424mn YoY to Rs2.1bn as at FY20 leading to 21% YoY rise in finance cost. **Gross D:E as at Mar'20 & Sep'20 stood at ~1x.**
- **Trade Receivables and Other Financial Assets as at Sep'20 include Rs573mn pertaining to escalation claim recoverable from Municipal Corporation(s) and is overdue for a substantial period of time but still considered good and recoverable. Statutory Auditors too have qualified their opinion on long overdue receivables from Municipal Corporation(s) being considered good by the company** in their reports for 6MFY21/ FY20/ FY19/ FY18 to the tune of Rs135mn/ Rs135mn/ Rs285mn/ Rs285mn respectively. This matter was also qualified by the predecessor auditor in their audit opinion for FY17.
- **Further auditors have qualified (in FY19 & FY20) on inefficiency in provision of loss allowances for trade receivables** which could potentially result in material misstatement in carrying value of trade receivables.

Exhibit 6: Revenues and operating margins for last 5 years



Source: Company, PL

Company Overview

AWHCL entered MSW market with a simple business of collection and transportation of waste and now has an established track record of over 19 years in providing full spectrum of MSW services that include solid waste collection, transportation, processing & disposal services, along with landfill construction and emerging waste management area like MSW based Waste-to-Energy (WTE). With vast experience and technological expertise in this domain, the company has grown to be **one of the top five players in Indian MSW management industry**. AWHCL has been adopting latest technologies and innovations in garbage collection, processing, use of transfer stations and managing sanitary engineered landfills thereby making it **one of the very few companies in India that can manage MSW through multiple technologies**.

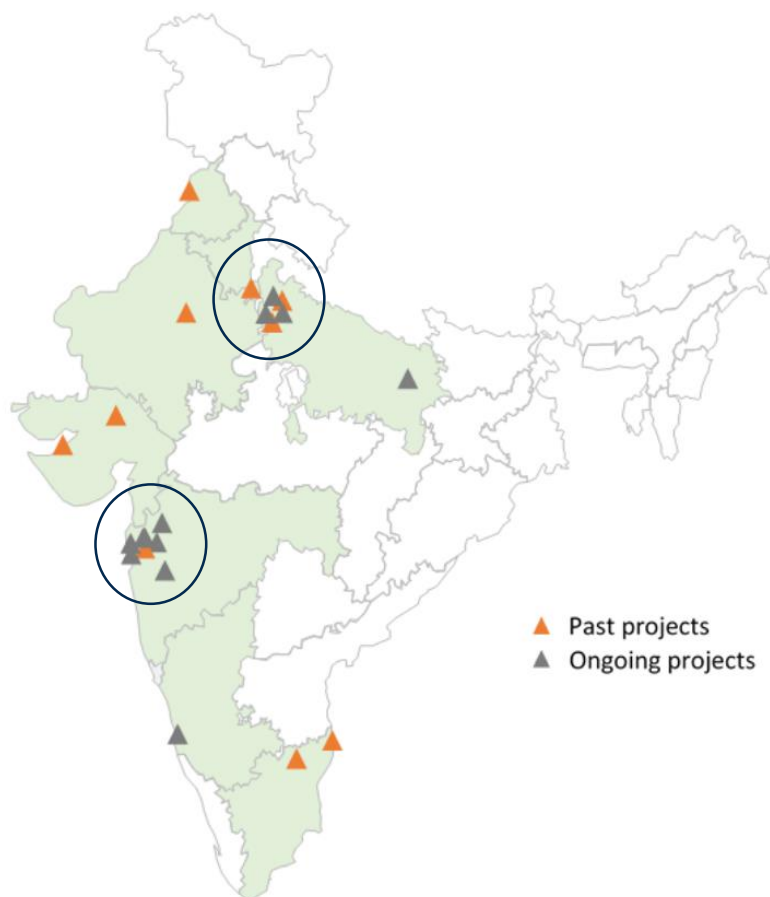
Current ongoing projects include 12 MSW Collection and Transport (C&T) projects, 2 MSW processing projects and 4 mechanized sweeping projects which are operated either by AWHCL and/or through its subsidiaries. Majority of the C&T and mechanized sweeping projects have an average term of 7-8 years while the MSW processing project(s) usually have a concession period of 20-25 years. With 4-5 C&T projects bagged in last 1-2 years and balance term for waste processing projects of 15-20 years, the company has strong and stable revenue stream from existing projects for the next few years.

The company's biggest project - MSW processing site at Kanjurmarg is Asia's largest single location waste processing site, located in Mumbai with a capacity of handling 7,000 TPD MSW. The site currently handles ~5,000 TPD of Mumbai's MSW waste and would be processing ~70% of the total waste generated in Mumbai over next few years. AWHCL was awarded Kanjurmarg landfill project by MCGM in FY10 for a period of 25 years. The project involves, inter alia, design, construction, operation and maintenance of integrated waste management facilities on DBOOT basis. It is being undertaken by Antony Lara Enviro Solutions Private Ltd (ALESPL), a JV between AWHCL and Lara Central De Tratamento De Residuos Limited (Brazilian partner). The site has a bio-reactor landfill with a capacity of 4,500 TPD, and a sanitary landfill of 250 TPD. Moreover, the site also has a material recovery and compost facility with a capacity of 1,000 TPD. The company processed approximately ~7.63mn tonnes of waste at its Kanjurmarg site since Fiscal 2010. The company witnessed a significant increase in the amount of waste processed at Kanjur project, having processed ~64% more MSW in Kanjur in 2019 than in 2018 which is expected to increase further in to 1mn tonnes in FY21. Also, its subsidiary ALESPL has been operating a 0.97 MW landfill gas-to-energy plant at Kanjurmarg facility since 2014 with electricity produced being used for internal consumption.

As of 15 November '20 the company had a fleet of 1,147 vehicles. Vehicle ownership gives the company a competitive advantage and helps it meet service level commitments in a cost-effective manner. Given the nature of contracts, the company actively monitors movement of its huge vehicle fleet which are equipped with GPS system.

Strong presence across the country: AWHCL's has operated/ is currently operating projects in the waste management space in several cities across the country which include Mumbai, Delhi, Jaipur, Gurugram, Greater Noida, Noida, Amritsar, Mangaluru, Navi Mumbai, Pimpri, Thane, Varanasi and Nagpur.

Exhibit 7: AWHCL has its presence across the country



Source: Company, PL

The company also adopts a cluster based approach wherein it has targeted and bided for projects around existing projects to improve efficiency and profitability. As visible from the above map, company has followed cluster based approach around Mumbai and Noida region.

Key municipalities that AWHCL has worked with includes Municipal Corp of Greater Mumbai, Navi Mumbai Municipal Corp, Pimpri Chinchwad Municipal Corp, Mangalore Municipal Corp, Nagpur Municipal Corp, Greater Noida Industrial Development Authority and Municipal Corp of Delhi.

Key risks

Decline in the budgetary allocation towards MSW projects would adversely affect business prospects

As solid waste management in India is State Government's prerogative, the company is almost entirely dependent on Municipal Authorities for a substantial amount of its business. **Many Municipal Authorities have been struggling to finance solid waste management projects from their own revenue receipts and are largely dependent on State/Central grants/Budget allocation. Though budget allocation has seen an uptick since past 2-3 years, in absolute terms it still remains low** as major allocation is made in infrastructure projects such as building roads and bridges. **Any decline in Central and State grants/ budget allocation would adversely impact ongoing and new MSWM projects.**

High working capital requirements

Working capital management has been a major issue in the management of solid waste. **Delay in disbursements from municipal authorities can lead to financial instability of any private sector entity. Disputes pertaining to value of escalation claims further amplifies the issue. Receivables from municipal corporations as at Sep'20 include Rs573mn towards such escalation claims which are overdue for substantial period of time.** Non-receipt of such huge sums and company's inability to meet its working capital requirements could hamper its operations and financial stability.

Dependency on limited number of customers

Despite scattered projects across different geographies, ~78% of the company's revenues came from top five clients in 6MFY21, indicating strong concentration with few customers. **Loss of any major customer(s) due to any adverse development or reduction in business from any major customer(s) may have a material impact on revenues and financial strength of the company.**

Rising competition from Domestic and Global players:

In India, MSW management market comprises of ~25 players who offer various services from collection & transportation to waste processing. Broadly the competition can be categorized into local, national and MNC players. **Larger players (at national level) are mainly Infrastructure & Environment services companies which have presence across the entire MSWM value chain.** Certain logistics companies are engaged in transportation and fleet management services. Currently, the sector is predominantly driven by domestic players with limited presence of large MNCs. However, with rising market size and renewed focus on integrated solid waste management, many Municipal Corporations are now inviting global tenders. **Entry of large MNCs with strong financial position and technological expertise could hamper growth prospects of most domestic companies, including AWHCL.**

Exhibit 8 shows the major players in the MSW market and are the key competitors of AWHCL.

Exhibit 8: Antony waste presence across entire MSWM value chain

| Player | Collection & Transportation | Treatment & Disposal | Landfills |
|------------------------------|-----------------------------|----------------------|-----------|
| Ramky Enviro Engineers | ✓ | ✓ | ✓ |
| Antony Waste | ✓ | ✓ | ✓ |
| Metro Waste Handling Pvt Ltd | ✓ | ✓ | |
| BVG | ✓ | ✓ | ✓ |
| A2Z | ✓ | ✓ | |
| SPML Infra | ✓ | ✓ | |
| Terra Firma | ✓ | ✓ | |
| Essel Group | ✓ | ✓ | |

Source: Company, Frost & Sullivan Analysis, PL

Key management personnel

Exhibit 9: Key management personnel

| | | |
|-------------------------|---|--|
| Jose Jacob Kallarakal | Chairman & Managing Director | One of the founders of the company with 19 years of experience in the field of waste management. He holds a Bachelor's degree in Engineering (Mechanical) from Bharati Vidyapeeth's College of Engineering, University of Mumbai and has completed the Authentic Leader Development Course from Harvard Business School, Boston. |
| Shiju Jacob Kallarakal | Executive Director and the Chief Financial Officer | Holds a Bachelor's degree in Engineering (Chemical) from Bharati Vidyapeeth's College of Engineering, University of Mumbai. He overlooks the accounting and finance along with the legal functions of the Company. |
| Tarjindar Singh | Chief Operating Officer | He holds a Master's degree in Physics from University of Pune with a merit rank six. He also holds PGD in Business Administration, from MSPi Delhi, Diploma in Export Import Management from IIEIM Mumbai and is a Graduate in Electronics from Pune University. |
| Shiju Antony Kallarakal | Whole-time director of Antony Lara Enviro Solutions Private Limited which is one of the material Subsidiaries | Over 18 years of experience in the automobile sector and more than five years in the waste management sector. |

Source: Company, PL

Financials

Exhibit 10: Income Statement (Rs mn)

| Y/e Mar | FY16 | FY17 | FY18 | FY19 | FY20 | 6MFY21 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Net Revenues | 2,272 | 2,758 | 2,761 | 2,837 | 4,505 | 2,074 |
| YoY gr. (%) | | 21.4 | 0.1 | 2.7 | 58.8 | NA |
| Purchase of Traded Goods | 27 | 2 | 29 | 38 | 11 | 1 |
| Change in Inventories of Stock in Trade | 1 | 1 | 0 | 0 | 0 | 0 |
| Project Expenses | 384 | 490 | 333 | 280 | 380 | 104 |
| Employee benefit expenses | 485 | 606 | 640 | 663 | 1,149 | 737 |
| Other Expenses | 760 | 1,010 | 1,062 | 1,094 | 1,711 | 712 |
| EBITDA | 616 | 648 | 697 | 762 | 1,256 | 519 |
| YoY gr. (%) | | 5.2 | 7.6 | 9.2 | 64.8 | NA |
| Margin (%) | 27.1 | 23.5 | 25.3 | 26.9 | 27.9 | 25.0 |
| Depreciation and Amortization | 136 | 111 | 127 | 183 | 242 | 155 |
| EBIT | 480 | 537 | 570 | 578 | 1,013 | 363 |
| Margin (%) | | 19.5 | 20.7 | 20.4 | 22.5 | 17.5 |
| Net Interest | 271 | 253 | 229 | 250 | 302 | 142 |
| Other Income | 121 | 154 | 146 | 148 | 141 | 77 |
| Profit Before Tax | 330 | 438 | 488 | 477 | 852 | 299 |
| Margin (%) | | 15.9 | 17.7 | 16.8 | 18.9 | 14.4 |
| Total Tax | 67 | 28 | 89 | 133 | 199 | 9 |
| Effective tax rate (%) | 20.4 | 6.3 | 18.2 | 27.8 | 23.3 | 2.9 |
| Profit after tax | 263 | 410 | 399 | 344 | 653 | 291 |
| Minority interest | -91 | -83 | -105 | -73 | -198 | -94 |
| Share Profit from Associate | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted PAT | 172 | 327 | 294 | 272 | 455 | 196 |
| YoY gr. (%) | | 90.6 | -10.1 | -7.6 | 67.5 | NA |
| Margin (%) | 7.6 | 11.9 | 10.6 | 9.6 | 10.1 | 9.5 |
| Extra Ord. Income / (Exp) | 0 | 0 | 0 | 0 | -32 | 0 |
| Reported PAT | 172 | 327 | 294 | 272 | 455 | 196 |
| YoY gr. (%) | | 90.6 | -10.1 | -7.6 | 67.5 | NA |
| Margin (%) | 7.6 | 11.9 | 10.6 | 9.6 | 10.1 | 9.5 |
| Other Comprehensive Income | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Comprehensive Income | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity Shares O/s (m) | 23.8 | 23.8 | 23.8 | 24.3 | 25.6 | 25.6 |
| EPS (Rs) | 7.2 | 13.7 | 12.3 | 11.2 | 17.8 | 7.7 |

Source: Company, PL

Exhibit 11: Balance Sheet (Rs mn)

| Y/e Mar | FY16 | FY17 | FY18 | FY19 | FY20 | 6MFY21 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Non-Current Assets | | | | | | |
| Gross Block | 642 | 718 | 785 | 2,188 | 3,359 | 3,406 |
| Tangibles | 642 | 718 | 785 | 1,078 | 2,044 | 2,060 |
| Intangibles | 0 | 0 | 0 | 1,111 | 1,315 | 1,346 |
| Acc: Dep / Amortization | 136 | 245 | 370 | 532 | 771 | 926 |
| Tangibles | 136 | 245 | 370 | 472 | 643 | 759 |
| Intangibles | 0 | 0 | 0 | 61 | 128 | 167 |
| Net fixed assets | 507 | 472 | 415 | 1,656 | 2,589 | 2,480 |
| Tangibles | 507 | 472 | 415 | 606 | 1,401 | 1,301 |
| Intangibles | 0 | 0 | 0 | 1,050 | 1,187 | 1,179 |
| Capital Work In Progress | 596 | 975 | 1,056 | 233 | 145 | 159 |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Current Investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Deferred tax assets | -78 | -43 | -20 | -24 | -45 | 8 |
| Other Non-Current Assets | 164 | 1119 | 1271 | 1625 | 1428 | 1481 |
| Current Assets | | | | | | |
| Investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Inventories | 2 | 0 | 1 | 1 | 1 | 1 |
| Trade receivables | 1,416 | 671 | 727 | 887 | 1,130 | 1,101 |
| Cash & Bank Balance | 403 | 127 | 336 | 220 | 355 | 629 |
| Other Current Assets | 126 | 224 | 355 | 324 | 883 | 990 |
| Total Assets | 3,134 | 3,545 | 4,139 | 4,922 | 6,485 | 6,848 |
| Equity | | | | | | |
| Equity Share Capital | 13 | 13 | 13 | 72 | 128 | 128 |
| Other Equity | 603 | 902 | 1,188 | 1,429 | 1,977 | 2,172 |
| Total Networth | 616 | 915 | 1,201 | 1,501 | 2,105 | 2,300 |
| Non-Current Liabilities | | | | | | |
| Long Term borrowings | 1,774 | 1,600 | 1,330 | 1,669 | 2,094 | 2,089 |
| Provisions | 0 | 0 | 0 | 0 | 0 | 0 |
| Other non current liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Minority Interest | 314 | 386 | 491 | 563 | 761 | 855 |
| Current Liabilities | | | | | | |
| ST Debt / Current of LT Debt | | | | | | |
| Trade payables | 129 | 160 | 316 | 362 | 541 | 503 |
| Other current liabilities | 302 | 484 | 802 | 826 | 984 | 1,101 |
| Total Equity & Liabilities | 3,134 | 3,545 | 4,139 | 4,922 | 6,485 | 6,848 |

Source: PL



Exhibit 12: Cash Flow Statement (Rs mn)

| Y/e Mar | FY16 | FY17 | FY18 | FY19 | FY20 | 6MFY21 |
|---------------------------------------|-------------|-------------|-------------|-------------|---------------|-------------|
| PBT | 330 | 438 | 488 | 477 | 820 | 299 |
| Add. Depreciation | 136 | 111 | 127 | 183 | 242 | 155 |
| Add. Interest | 267 | 212 | 184 | 193 | 239 | 110 |
| Less Financial Other Income | -111 | -114 | -110 | -129 | -139 | -75 |
| Add. Other | 72 | 55 | 52 | 95 | 200 | 56 |
| Op. profit before WC changes | 694 | 703 | 742 | 820 | 1,362 | 546 |
| Net Changes-WC | -222 | -196 | -291 | -380 | -195 | -105 |
| Direct tax | -46 | -41 | -85 | -141 | -209 | -71 |
| Net cash from Op. activities | 427 | 466 | 366 | 299 | 958 | 371 |
| Capital expenditures | -204 | -441 | 30 | -625 | -1,082 | -45 |
| Interest / Dividend Income | 114 | 117 | 113 | 130 | 139 | 76 |
| Others | -36 | 63 | -2 | -42 | -94 | -62 |
| Net Cash from Invt. activities | -126 | -261 | 141 | -538 | -1,037 | -32 |
| Issue of share cap. / premium | 165 | 0 | 0 | 0 | 0 | 0 |
| Debt changes | -91 | -171 | -101 | 339 | 361 | -5 |
| Dividend paid | 0 | -66 | -37 | -56 | 0 | 0 |
| Interest paid | -245 | -183 | -162 | -165 | -222 | -119 |
| Others | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash from Fin. activities | -170 | -421 | -300 | 119 | 139 | -124 |
| Net change in cash | 130 | -216 | 206 | -119 | 59 | 215 |
| Free Cash Flow | 223 | 25 | 395 | -326 | -124 | 325 |

Source: Company, PL

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|---------------------------------|------------|---------|------------------|
| 1 | ABB | Hold | 880 | 894 |
| 2 | Ahluwalia Contracts (India) | BUY | 288 | 237 |
| 3 | Ashoka Buildcon | BUY | 147 | 69 |
| 4 | Bharat Electronics | Accumulate | 110 | 103 |
| 5 | BHEL | Hold | 34 | 28 |
| 6 | Capacite's Infraprojects | BUY | 270 | 188 |
| 7 | Container Corporation of India | BUY | 468 | 378 |
| 8 | Cummins India | Accumulate | 472 | 434 |
| 9 | Engineers India | BUY | 104 | 73 |
| 10 | GE T&D India | Hold | 86 | 86 |
| 11 | H.G. Infra Engineering | BUY | 259 | 186 |
| 12 | IRB Infrastructure Developers | BUY | 152 | 109 |
| 13 | ITD Cementation India | BUY | 67 | 50 |
| 14 | J.Kumar Infraprojects | BUY | 176 | 133 |
| 15 | Kalpataru Power Transmission | BUY | 296 | 251 |
| 16 | KEC International | Accumulate | 339 | 338 |
| 17 | KNR Constructions | BUY | 336 | 255 |
| 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 | 48 |
| 23 | Siemens | Accumulate | 1,516 | 1,513 |
| 24 | Thermax | Accumulate | 798 | 790 |
| 25 | Triveni Turbine | BUY | 85 | 69 |
| 26 | Voltamp Transformers | BUY | 1,283 | 1,186 |

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 |



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