MBL Infrastructures

Gearing-up for next level of growth

Strong Order inflows to lead to better execution: MBL Infrastructures (MBL), a specialist EPC player is expected to benefit from NHAI's ~2,000km of EPC award activity in the next 12 months. With economic revival, infra award activity across verticals should catch-up. MBL has participated in projects worth ₹10,000cr. Going by its past track record, of ~25% strike rate, MBL should report ~₹2,500cr worth of new project wins in the next 12 months. We expect MBL's order inflow to report ~13% CAGR over FY2014-17E, which is likely to be followed-up by stronger execution. Accordingly, we expect MBL's standalone entity to report a strong ~18% top-line CAGR during FY2014-17E.

~16% PAT CAGR during FY2014-17E: Stronger execution, benefits of backward integration and better absorption of fixed costs, should help the standalone entity report a ~22% EBITDA CAGR during FY2014-17E (EBITDA margin to expand 107bp during the same period). Despite a strong EBITDA growth, higher interest and depreciation expenses would restrict standalone PAT at ~16% CAGR during the same period, as per our estimation.

BOT projects nearing completion: MBL has a portfolio of 5 BOT Road projects, of which 4 are won on "Toll+Grant" or "Toll+Annuity" model. This, when coupled with the fact that 4 of these projects are in the mineral belt region and are inter-connected with no alternate roads, indicates that these projects could generate impressive equity IRRs. With commencement of 4 BOT projects in FY2016-17, we can expect a possible easing in the balance sheet stress.

Comfortable Balance Sheet: MBL is one of the Road developers with moderate consol. D/E ratio of 1.8x. With 3 BOT projects nearing completion (to commence tolling in FY2016E) and 4th to commence operations in FY2017E, we expect consol. D/E ratio to increase to 2.7x by FY2017E. With Management clarifying that it does not intend to add any new BOT projects to company's portfolio till FY2017E, we are confident that MBL's D/E ratio would peak at 2.7x, which is comforting.

Valuation: At CMP of ₹442/share, MBL is trading at FY2016E and FY2017E EV/EBITDA multiple of 9.1x and 7.0x, respectively. Improved order inflow outlook (with current bid pipeline of ~₹10,000cr), strong profitability growth, and a comfortable Balance Sheet strengthen our view that MBL is poised for re-rating from here-on. We value BOT projects using PV of Free Cash Flows to Equity shareholders to arrive at a value of ₹105/share (for all 5 of the BOT projects). We have assigned 8.0x target P/E multiple to the standalone business to arrive at a value of ₹456/share. On adding-up value of standalone entity and BOT projects, we arrive at FY2017E sum-of-the-parts (SoTP) based price target of ₹561/share. **Given the 27% upside from the current levels, we initiate coverage on MBL Infrastructures with a BUY rating.**

Key Financials (Standalone)

Y/E March (₹ cr)	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Net Sales	1,343	1,754	2,019	2,453	2,857
% chg		*30.6*	*15.1*	*21.5*	*16.5*
Net Profit	55	75	85	100	118
% chg		*35.8*	*12.9*	*18.4*	*17.6*
EBITDA (%)	9.8	10.0	10.5	10.9	11.1
EPS (₹)	32	43	41	48	57
P/E (x)	14.0	10.3	10.8	9.1	7.8
P/BV (x)	2.0	1.7	1.4	1.2	1.1
RoE (%)	15.1	17.6	15.2	14.4	14.8
RoCE (%)	16.6	19.3	17.5	16.5	16.5
EV/Sales (x)	0.9	0.7	0.8	0.7	0.7
EV/EBITDA (x)	9.2	7.0	7.5	6.8	6.0

Source: Company, Angel Research

BUY

CMP	₹442
Target Price	₹561
Investment Period	12 Months

Stock Info	
Sector	Infrastructure
Market Cap (₹ cr)	916
Net debt (₹ cr)	704
Beta	1.3
52 Week High / Low	464/100
Avg. Daily Volume	14,819
Face Value (₹)	10
BSE Sensex	29,279
Nifty	8,836
Reuters Code	MBLI.BO
Bloomberg Code	MBL@IN

Shareholding Pattern (%)	
Promoters	46.7
MF / Banks / Indian FIs	29.6
FII / NRIs / OCBs	5.7
Indian Public / Others	18.1

Abs. (%)	3m	1yr	3yr
Sensex	9.4	38.5	72.3
MBL	37.6	272.5	198.7

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Investment Argument

Order Inflow outlook improves, gives better revenue visibility

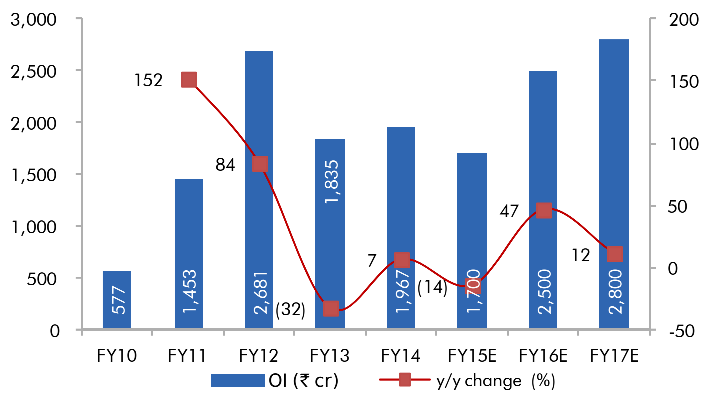
In a poor award activity environment during FY2010-14, captive orders from BOT projects helped MBL clock a 36% CAGR in its order inflows. Taking into account the new government's thrust on the Infra sector, and with economic indicators showing signs of revival; we expect revival across Infra award environment to catch-up from here on.

Post amendments to the Land Acquisition Law, NHAI is gearing up to have a strong award activity in 4QFY2015E-FY2016E. We expect NHAI to award ~4,000km of road projects in the next 12 months. Of these, ~2,000km would be through the EPC route. With MBL's Management clarifying that the company would not be bidding for BOT projects, it can be estimated on this basis that MBL would only bid for ~2,000km of EPC road projects.

The Management also highlighted that the company has bid for projects worth ~₹10,000cr, which are currently at different bidding stages. If we look at the last 5 years' historical win rate of 20-40%, coupled with slightly lower bidding intensity, we are comforted that MBL is likely to report ~₹2,500cr (indicating 25% strike rate assumption) worth of project wins in the next 12 months.

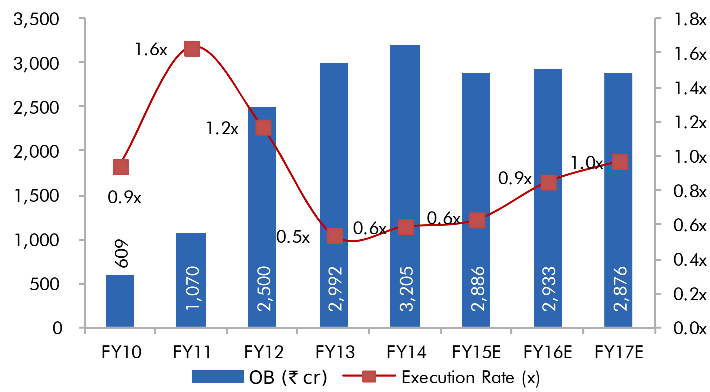
Our order inflow growth assumption captures (1) resumption in award activity from State PWDs/ NHAI Road projects, (2) award activity from DFC (Dedicated Freight Corridor) space, and (3) uptick in award activity from Metro, Industrial Construction as well as Building & Housing Construction space. Accordingly, we expect ~13% CAGR in MBL's order inflows during FY2014-17E.

Exhibit 1: Order Inflow to catch-up



Source: Company, Angel Research

Exhibit 2: Execution to pick-up



Source: Company, Angel Research

MBL's unexecuted order book (as of 2QFY2015-end) stands at ₹2,354cr, thereby giving revenue visibility for another 4-5 quarters. As against the Management's guidance of an order book of over ₹3,500cr by 4QFY2015-end, we expect MBL to end with an order book of ₹2,886cr. Our lower OB assumption for FY2015 is owing to expectation of just ₹1,700cr of OI for FY2015 (to-date, publicly reported OI of ₹860cr). However, with order inflow momentum likely to catch-up from here-on, we expect MBL to also experience strong uptick in execution (execution rate would pick-up from 0.6x in FY2014 to 1.0x by FY2017E).

BOT projects to start paying-off

Currently, only 1 of the 5 BOT Road projects owned by MBL is operational. The remaining 4 projects are likely to commence operations in FY2016-17E. 3 of the 4 ongoing projects are nearing completion (entire land acquisition is complete, and majority of equity infusion is done), indicating minimal execution risks from here-on. These 3 BOT projects are likely to attain Commercial Operations Date (CoD) over the next 2-4 quarters.

Exhibit 3: BOT Projects Net Total Income (in ₹ cr)

	FY14	FY15E	FY16E	FY17E
Seoni-Balaghat-Rajegaon BOT project	17	19	21	23
Waraseoni-Lalbarra BOT project	0	0	8	12
Garra-Waraseoni BOT project	0	0	14	23
Seoni-Katangi BOT project	0	0	11	22
Suratgarh-Bikaner BOT project	0	0	0	50
BOT Projects - Net Total Income	**17**	**19**	**54**	**130**

Source: Company, Angel Research

Given that the ongoing EPC work at Suratgarh-Bikaner BOT project is slow and behind schedule (~20% of total EPC work is done), we expect this project to attain CoD in 2HFY2017E.

AAP Infrastructures Ltd (Seoni-Balaghat-Gondia stretch), the company's only operational BOT project, has been profitable since FY2010 (incurred losses during FY2008-09). Notably, 2 of the 4 BOT projects have been bagged under Toll+ Annuity model and another 2 have been bagged on a grant model. We are impressed with Management's business acumen, as MBL is likely to generate Future Cash flows of 0.4x-2.5x for the equity invested. MBL's cautious strategy impresses us as in our view, we expect MBL to generate impressive Equity IRRs in the range of 15-18% (for 3 of the upcoming BOT projects). Whereas, Garra-Waraseoni project in our view is likely to generate just 6% equity IRR.

We expect MBL's Net Total Income from BOT projects to increase from ₹17cr in FY2014 to ₹130cr in FY2017E (95% CAGR during FY2014-17E). Also, with the commencement of tolling across 4 BOT projects, we expect the debt repayment cycle of these SPVs to commence, thereby easing consol. balance sheet stress.

~18% & ~16% Revenue & PAT CAGR, respectively, during FY14-17E

On the back of a strong ~13% CAGR in Order Inflows during FY2014-17E, we expect execution also to pick. Accordingly, we expect the standalone business to report ~18% revenue CAGR during FY2014-17E to ₹2,857cr.

Revenue growth should help MBL absorb fixed costs, leading to EBITDA growth. Our 22% EBITDA CAGR estimate during FY2014-17E is on the back of following levers, (1) benefits from their in-house Ready-To-Mix concrete (RMCs), (2) access to 6 quarrying facilities, (3) higher utilization of in-house Construction Equipment (current Plant & Machinery [P&M] Gross block stands at ₹200cr), and (4) better absorption of fixed costs. Despite commencement of interest rate down-cycle, we do not expect entire benefits of EBITDA growth to flow-down to the PAT level. We expect interest and depreciation expenses to restrict PAT CAGR during FY2014-17E to ~16%.

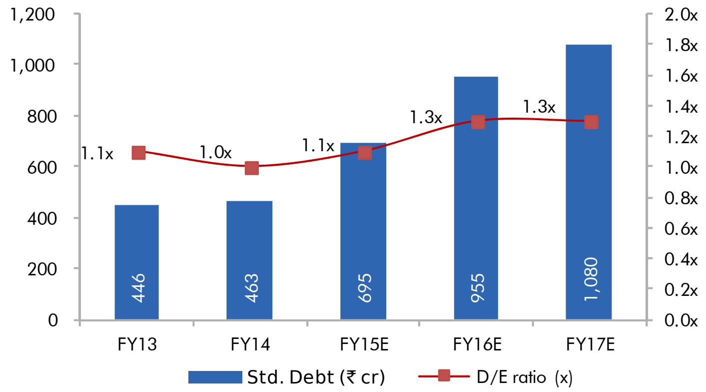
Comfortable Gearing ratio

MBL has been prudent in managing its capital requirements. Considering standalone entity's D/E ratio (of ~1.0x) and standalone entity's potential to generate over ₹100cr of Cash Flow from Operations during FY2014-17E, we are not much concerned about the gearing ratio at standalone entity level.

MBL's selective strategy to bid for and win new BOT projects at the right time has helped the company in managing its capital efficiently. This could be gauged from their consol. D/E ratio, which at 2QFY2015-end stood at 1.8x.

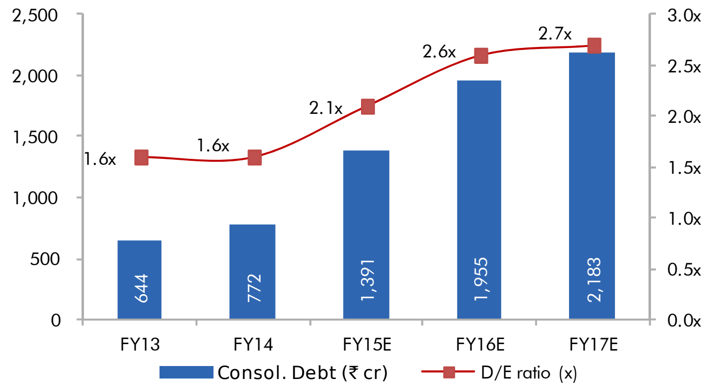
As a prudent move, in anticipation of improvement in business cycle, MBL recently pursued a Qualified Institutional Placement (QIP) issue (issued 3.2mn additional shares @₹365/share, thereby raising ~₹110cr). 4 of the ongoing BOT projects require equity investments of ~₹87cr. With MBL's Management clarifying that it would not bid for BOT Road projects till FY2017E, idly lying cash and internal accruals should be enough to fund the equity requirements of these 4 BOT projects. Also, by raising equity, MBL has built-up its war chest for the next phase of growth. On the whole, we expect consol. gearing ratio to increase to 2.7x by FY2017E, which is in a comfortable zone.

Exhibit 4: Standalone D/E ratio



Source: Company, Angel Research

Exhibit 5: Consolidated D/E ratio



Source: Company, Angel Research

Selective bidding, best approach to grow Order Book

MBL, over the years, has shown immense maturity in bidding for the right kind of projects and working for clients who are quality conscious. It bids for projects, which are funded either by government agencies or international bodies such as World Bank and ADB. This strategy mitigates payment default risk and helps maintain WC levels prudently.

When the entire industry was witnessing heated competition and experiencing higher D/E ratios (on account of higher exposure to BOT road projects), MBL stayed away from the BOT space. It was only after competition started easing-off that MBL entered the BOT Road space. This strategy helped them bid for projects in a lesser competitive environment and sign the projects with attractive terms. Given that 2 of MBL's projects are on Toll+ Annuity and another 2 on Toll+ Grant model, we are optimistic of the company experiencing impressive equity IRR across these projects. This strategy has also helped MBL in building its order book in a down-cycle, when the award activity witnessed severe slowdown. It is this business prudence, which helped MBL cover its fixed costs base in a down-cycle and maintain ~10% standalone EBITDA levels.

Notably, all projects of MBL have a price pass-on clause in-built, thereby insulating the company from any sharp fall in EBITDA margins.

All the above-mentioned initiatives and well timed strategic moves have helped MBL maintain ~10% EBITDA margins during FY2010-14 and generate Cash flow from Operations to the tune of ~₹176cr during FY2012-14.

Backward integration to aid in quicker margin expansion

MBL over the years has invested in (1) Ready-to-Mix Concrete (RMC) plants, (2) 6 quarrying facilities strategically located across North & Eastern India and (3) wide array of Construction Equipments. This strategy to invest in resources would help the company in ensuring quick and timely supply of stone aggregates at the project location, thus translating into cost savings. In an up-cycle, where award activity is likely to see a sharp bounce back, we expect having large inventory of construction equipments would help MBL in lowering execution costs; reduce mobilization time, thereby translating to higher operating margins. All these backward integration initiatives should help the standalone entity in reporting a 107bp EBITDA margin expansion during FY2014-17E to 11.1%.

Update on BOT Projects

MBL has a portfolio of 5 BOT Road projects, of which only 1 is operational (Seoni-Balaghat-Gondia). MBL's Management has guided that all 4 BOT road projects would be operational in FY2016E (vs. our assumption of only 3 being operational in FY2016E). By 2QFY2015-end, MBL had already invested ₹201cr of the total required ₹288cr, implying that ₹87cr further needs to be invested towards these 4 BOT projects. ~₹110cr raised from the QIP issue and internal accruals should help MBL meet the remaining equity requirement of ₹87cr.

Exhibit 6: Details of BOT Projects

Particulars	AAPIL	MHDCL	MPTRCL	MPRNCL	SBTRCL
Stretch	Seoni-Balaghat-Gondia	Seoni-Katangi	Waraseoni-Lalbarra Road	Garra-Waraseoni	Bikaner-Suratgarh
Project Type	BOT- Toll	BOT- Toll	BOT- Toll+Annuity	BOT- Toll+Annuity	BOT- Toll
State	Madhya Pradesh	Maharashtra	Madhya Pradesh	Madhya Pradesh	Rajasthan
Length (kms)	114	76	18	47	172
Status	Operational	Under Construction	Under Construction	Under Construction	Under Construction
Concession Period	15 years	30 years	15 years	15 years	16 years
MBL's stake	100%	100%	100%	100%	65%
Concession Agreement Date	Mar-05	Sep-11	Dec-11	Mar-13	Dec-11
TPC (₹ in cr)	108	212	57	137	620
EPC (₹ in cr)	91	177	47	110	510
Debt (₹ in cr)	61	101	42	97	450
Equity (₹ in cr)	12	51	15	40	170
Grant (₹ in cr)	35	60	0	0	0
Traffic Growth Assumption:					
1-5 years		5%	5%	5%	5%
6-16 years	5%	3%	3%	3%	3%
16 years and there-after		0%	NA	NA	NA
Equity IRR (%)		15%	16%	6%	18%

Source: Company, Angel Research; Note: NA- Not Applicable

MBL's Management maintained that they have strategically bid for road projects in mineral rich regions, which also happen to be important hubs and presently do not have any other alternative connecting roads. Notably, 4 of the 5 BOT road projects are inter-connected namely, Seoni- Balaghat-Gondia, Seoni-Katangi to Maharashtra Border, Waraseoni-Lalbarra and Garra-Waraseoni stretches. Accordingly, MBL's Management claims to have 2 stretches of BOT projects. One of the stretches is on NH-15 across Suratgarh-Bikaner (connecting north India to Samakhiali, Gujarat) and other one is a stretch across NH-6/7 in Madhya Pradesh.

Consolidated Financials

MBL reported an impressive 29% top-line CAGR during FY2010-14 to ₹1,766cr. This top-line growth reflects (1) ~51% order book CAGR during the same period, and (2) ~21% Toll Income CAGR during same period (for their only operational BOT- Seoni-Balaghat-Rajegaon stretch). At 2QFY2015E-end, MBL's unexecuted order book stood at ₹2,354cr, thereby giving revenue visibility for another 4-5 quarters. For 1HFY2015E, MBL reported a 14.0% yoy top-line growth (to ₹864cr). With uptick in order book and commencement of 4 BOT road projects, we expect MBL to report a 19% top-line CAGR during FY2014-17E.

Exhibit 7: Consol. Revenue split

Particulars (₹ cr)	FY14	FY15E	FY16E	FY17E	*FY14-17E CAGR (%)*
Consolidated Revenues	1,766	2,038	2,507	2,986	*19*
Standalone Revenues	1,749	2,019	2,453	2,857	*18*
Revenues from BOT Projects	17	19	54	130	*95*
Seoni-Balaghat-Rajegaon BOT project	17	19	21	23	*10*
Waraseoni-Lalbarra BOT project	0	0	8	12	*n/a*
Garra-Waraseoni BOT project	0	0	14	23	*n/a*
Seoni-Katangi BOT project	0	0	11	22	*n/a*
Suratgarh-Bikaner BOT project	0	0	0	50	*n/a*

Source: Company, Angel Research; Note: n/a- Not Applicable

Despite a challenging macro environment, EPC business' dependency on captive BOT projects helped the company maintain its EBITDA margins at over 10% levels. During FY2010-14, MBL reported an impressive 19.6% EBITDA CAGR (to ₹188cr). With 4 of the BOT projects (have higher EBITDA margins vs. EPC business) likely to commence operations in FY2016-17, coupled with (1) efficiencies from their backward integration initiatives, and (2) new project wins on low bidding intensity, we can expect MBL to report sharp EBITDA growth during FY2014-17E (we have modeled ~32% CAGR over FY2014-17E). In other words, we expect EBITDA margins to expand by 372bp during FY2014-17E to 14.4%.

Exhibit 8: Consol. EBITDA split

Particulars (₹ cr)	FY14	FY15E	FY16E	FY17E	*FY14-17E CAGR (%)*
Consolidated EBITDA	188	229	311	429	*32*
Standalone EBITDA	176	212	267	317	*22*
BOT Projects EBITDA	12	17	44	112	*111*

Source: Company, Angel Research

During FY2010-14, MBL reported a restricted PAT CAGR of ~9%, reflecting the impact of higher interest and depreciation expenses (partly owing to their Seoni-Balaghat-Rajegaon BOT project). 4 of the BOT projects are expected to commence operations in FY2016-17E. We do not expect the entire benefits of EBITDA growth to flow down to the PAT level, as interest and depreciation expenses would also increase. Accordingly, we expect MBL to report ~9% PAT CAGR during FY2014-17E. In other words, PAT margins would decline from 4.4% in FY2014 to 3.3% by FY2017E.

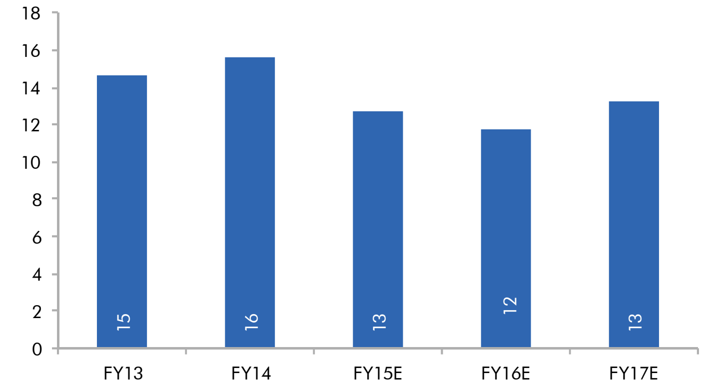
Exhibit 9: Consol. PAT split

Particulars (₹ cr)	FY14A	FY15E	FY16E	FY17E	*FY14-17E CAGR (%)*
Consolidated PAT	77	90	88	99	9
Standalone PAT	75	85	100	118	*16*
BOT Projects PAT	2	5	(12)	(19)	*NA*

Source: Company, Angel Research; Note: NA - Not applicable

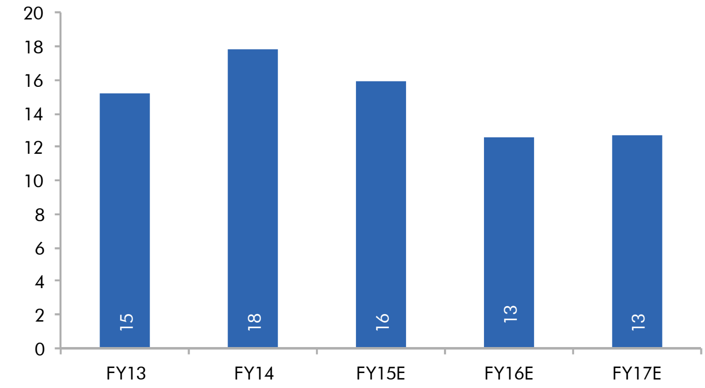
Capital deployment towards BOT projects, which report losses in first 1-2 years, should be a drag on overall return ratios of the company. Accordingly, we expect consol. Return on Capital Employed (RoCE) and Return on Equity (RoE) ratios to decline from ~16%/18% in FY2014 to ~13%/13% in FY2017E.

Exhibit 10: Consolidated RoCE (%)



Source: Company, Angel Research

Exhibit 11: Consolidated RoE (%)



Source: Company, Angel Research

Valuation

We have valued MBL using Sum-Of-The-Parts method. MBL's EPC business (under standalone entity) has been valued using FY2017E P/E multiple, whereas BOT projects are valued using the "Free Cash flow to Equity holders" method.

Value of Core EPC business

The standalone EPC business is trading at FY2016E and FY2017E P/E multiple of 9.1x and 7.8x, respectively. Standalone entity EPC is trading at ~25% discount to its peers' average (include- Simplex Infra, Ahluwalia Contracts, KNR Construction and J Kumar Infra). This discount could be attributable to (1) MBL's lower RoE of 14.8% for FY2017E vs. peers' average of 16.3% in FY2017E), and (2) higher dependency on only one vertical, i.e. the Roads Vertical (a/c's for ~73% of unexecuted order book).

Exhibit 12: Peer Group comparison (Standalone numbers)

Particulars	Revenues (₹ cr)				EBITDA Margins (%)			PAT Margins (%)			Rev. CAGR FY2014-17E(%)	PAT CAGR FY2014-17E(%)
	FY14	FY15	FY16	FY17	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E		
MBL Infra	1,754	2,019	2,453	2,857	10.5	10.9	11.1	4.2	4.1	4.1	17.7	16.3
Simplex Infra	5,499	5,696	6,472	7,670	10.7	10.8	10.4	1.2	1.8	2.6	11.7	49.4
KNR Construction	837	886	1,059	1,336	15.4	15.5	14.7	7.1	7.3	7.3	16.9	17.2
Ahluwalia Contracts	957	1,155	1,408	1,692	10.3	11.0	11.9	5.7	6.2	7.0	20.9	76.0
J Kumar Infra	1,169	1,456	1,774	2,191	17.5	17.3	16.8	6.9	7.4	7.6	23.3	25.9
Average					13.5	13.7	13.5	5.2	5.7	6.2	18.2	42.1

Source: Bloomberg estimates, Company, Angel Research

Exhibit 13: Peer Group comparison (Standalone numbers)

	CMP	M-Cap (₹ cr)	RoE (%)				EPS (₹)			Adj. P/E (x)		
			FY14	FY15	FY16	FY17	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
MBL Infra	442	916	17.6	15.2	14.4	14.8	40.9	48.5	57.0	10.7	9.0	7.7
Simplex Infra	366	1,812	4.5	4.9	7.8	12.1	13.9	24.1	41.7	26.3	15.2	8.8
KNR Construction	378	1,055	4.5	4.9	7.8	12.1	22.3	27.5	34.9	16.8	13.6	10.8
Ahluwalia Contracts	243	1,626	10.1	23.1	23.2	24.4	10.1	13.4	17.9	24.1	18.1	13.5
J Kumar Infra	476	1,535	15.6	14.9	16.0	16.8	31.9	41.6	52.0	14.9	11.4	9.2
Average			8.7	12.0	13.7	16.3				20.5	14.6	10.6

Source: Bloomberg estimates, Company, Angel Research

We have valued MBL's core EPC business (standalone entity) based on P/E multiple and assigned 8.0x for FY2017E EPS of ₹57, resulting in value of ₹456 per share.

Value of BOT projects

BOT projects have been valued using the "Free Cash flow to Equity holders" method. Our value for all the 5 BOT projects comes to ₹105/share, which is 19%

of the overall SOTP value for the company. Ongoing projects contribute 3% and under-development projects contribute 16% to the overall value.

On combining the value of EPC business BOT projects, we arrive at a combined business value of ₹561/share, reflecting 27% upside in the stock price from the current levels. In order words, the stock's current market price reflects the business value of just the standalone entity. We sense that as and when announcements of the remaining 4 BOT projects are made, the stock price would catch-up accordingly. We initiate coverage on MBL with a target price of ₹561/ share.

Exhibit 14: Sum-of-the-Parts based Valuation Table

Particulars	Segment	FY17E Std. PAT (₹ cr)	Target Multiple	Target Value (₹ cr)	Value/ share (₹)	% of SoTP	Basis
MBL's EPC business	Construction	118	8.0	945	456	81	P/E of 8.0x
Total				945	456	81	
Particulars	Proj. Type	Discounted FCFE (₹ cr)	Project Stake	Adj. FCFE Value (₹ cr)	Value/ share (₹)	% of SoTP	Basis
Road BOT projects							
Seoni-Balaghat-Rajegaon BOT Project	Toll	31	100%	31	15	3	K_e of 17%
Waraseoni-Lalbarra BOT Project	Toll + Annuity	22	100%	22	11	2	K_e of 17%
Garra-Waraseoni BOT Project	Toll + Annuity	17	100%	17	8	1	K_e of 17%
Seoni-Katangi BOT Project	Toll	74	100%	74	36	6	K_e of 17%
Suratgarh-Bikaner BOT Project	Toll	114	65%	74	35	6	K_e of 17%
Total		258		218	105	19	
Grand Total				1,162	561	100	
Upside					27%		
CMP					442		

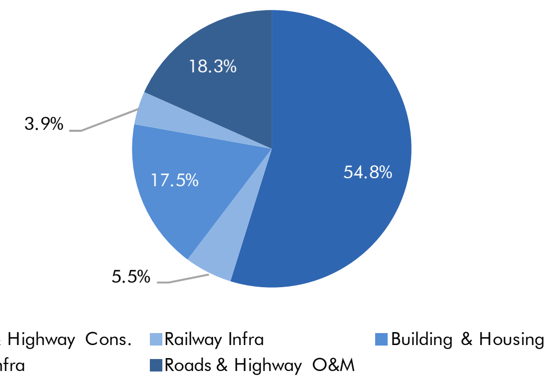
Source: Company, Angel Research

Key risks

- Promoters have pledged ~5% of their equity stake (Promoters hold 46% stake in MBL Infra). Any further increase in the pledge by the promoters could lead to volatility in the stock price.
- Suratgarh-Bikaner BOT project currently accounts for ~20% of unexecuted order book. Any further delays in getting clearances could impact our near-term execution assumptions, as well as equity IRRs.
- Lower than expected order inflows due to slowdown in new project award activity
- Slower growth vs. our traffic growth expectations is potential risk to toll revenues from BOT projects.

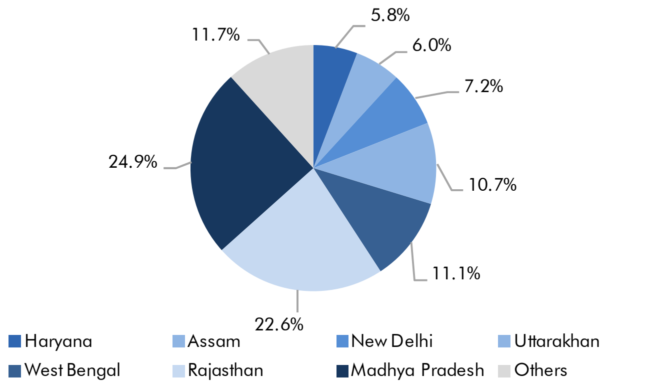
Exhibits

Exhibit 15: Order Book split- Vertical-wise



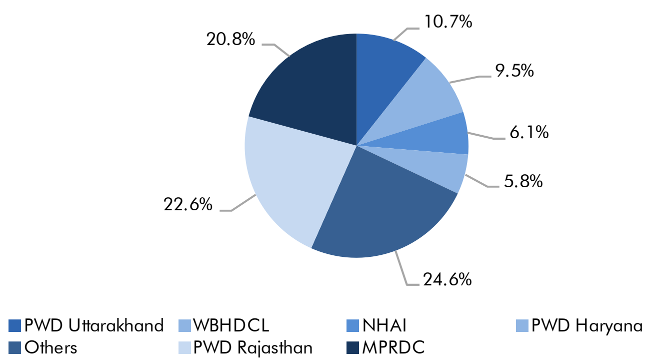
Source: Company, Angel Research

Exhibit 16: Order Book split- State-wise



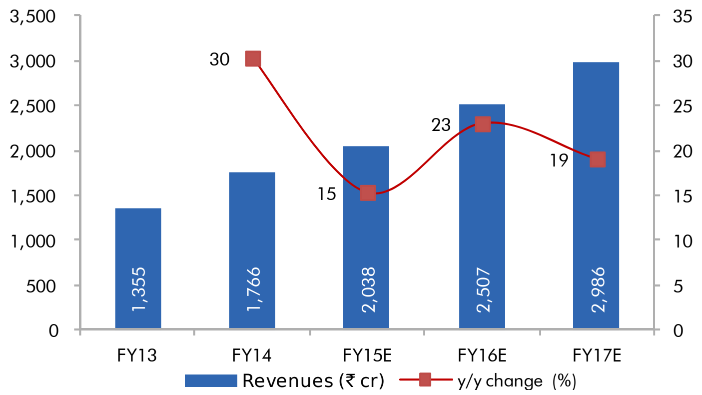
Source: Company, Angel Research

Exhibit 17: Order Book split- Client-wise



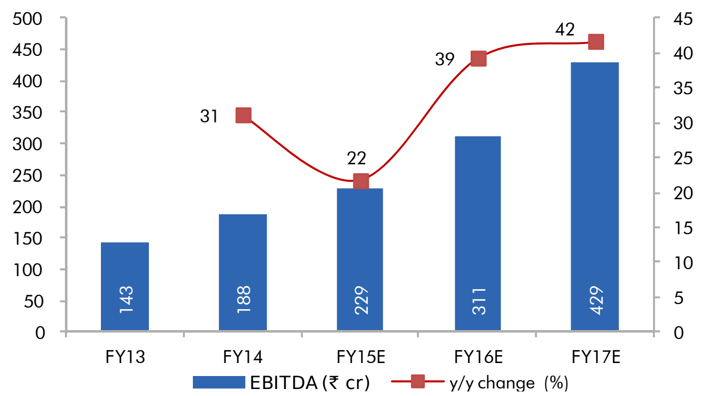
Source: Company, Angel Research

Exhibit 18: Consol. Revenue (₹ cr)



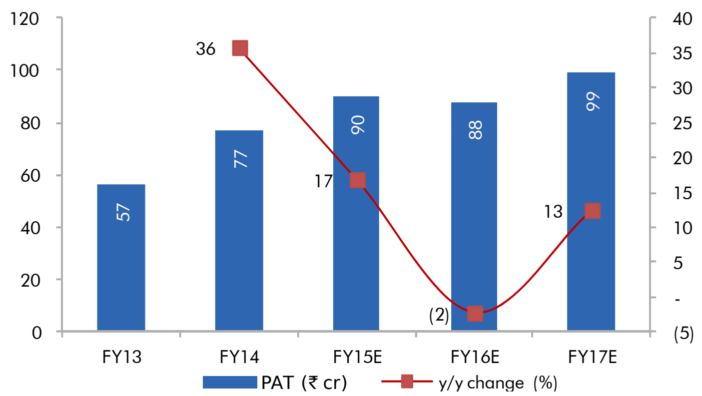
Source: Company, Angel Research

Exhibit 19: Consol. EBITDA (₹ cr)



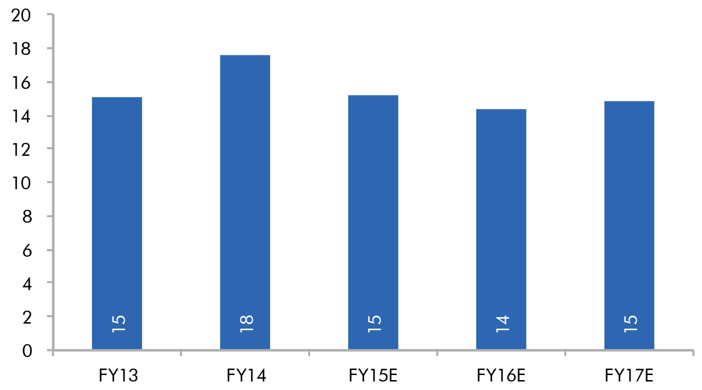
Source: Company, Angel Research

Exhibit 20: Consol. PAT (₹ cr)



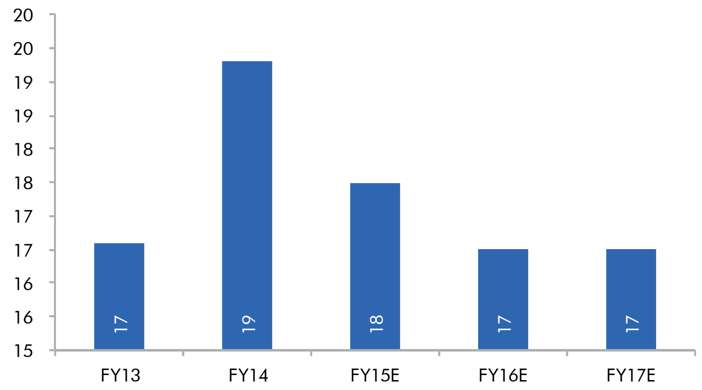
Source: Company, Angel Research

Exhibit 21: Standalone Return on Equity (%)



Source: Company, Angel Research

Exhibit 22: Standalone Return on Capital Employed (%)



Source: Company, Angel Research

Exhibit 23: List of Ongoing projects

Project details	Contract Value (₹ in cr)	Unexecuted Value (₹ in cr)
Development & Operation on BOT basis of Bikaner-Suratgarh of NH-15	510	411
Widening to 4-lane of Dankuni-Chandanagar section of SH-13	318	275
Improve & strengthening of roads under Package no. C-4 in Almora dist.	217	217
Construction of Seoni-Katangi BOT Road project	177	21
RCD Contract, ADB funded project for improvement/ upgradation of roads & bridges of SH-68 (Shivganj-Rafiganj- Uphara-Devkund-Baidrabad)	169	37
NHAI contract to widen-strengthen NH-37 stretch of Sonapur-Guwahati (51% JV with TCIL)	158	40
Improve & strengthen roads under Package no. C-2 in Udham singh Nagar dist.	143	143
Construction of Garra-WaraSeoni BOT Road project	110	59
Construct buildings at National Law University, Rajiv Gandhi Education City, Sonepat Dist.	92	91
Construct depot-cum-workshop at Kalindi-kunj (Line-8 for Delhi MRTS Phase III)	84	56
Construct 222 flats, Keelandev Towers at Shivaji Nagar, Bhopal, MP	63	48
Construct Bus Terminus at GT Road, Serampore Municipality, Hooghly, WB	55	39
Re-development of Police Colony, Delhi Cantt.	50	47
Construction of Residential Buildings for NHAI staff at Dwarka, N-Delhi	49	19
Construction of WaraSeoni-Lalbarra BOT Road project	47	6
Construct Assam Judicial Academy & National Law School at Amingaon, Assam	44	32
Construct 4-lane RoB at Delhi Ambala line in Sonepat, Haryana	43	20
Construct Police Residence Quarters at Kindli Check Post, Delhi	41	19
Construct 96 flats at Tulsi Nagar, Bhopal	40	32
Construct 2-lane RoB at Delhi Ambala Railway line of Sonepat-Purkhas Road, Sonepat, Haryana	36	27
Construct Group Housing Residential Apartments for NBCC on Delhi Saharanpur Highway, Baghpat, UP	35	1
Construct 92 flats at Mahadev Parisar, & Construct Commercial Building at Shivaji Nagar, Bhopal	24	7
Construct 2-lane RoB at Delhi Ambala Railway line of Delhi-Ambala, Sonepat, Haryana	23	1
Construct Panchayat & Rural Development Dept. Building at Sector-19 in Naya Raipur	19	17
Construct Police Station & Residences at Hari Nagar, New Delhi	19	10
Construct Residential Accommodation for Senior Officers of SPA, Bhopal	13	11
O&M of Garra-Waraseoni Road project	38	38
O&M of Waraseoni-Lalbarra Road project	15	15
O&M of Seoni-Katangi Road project	263	263
O&M of Suratgarh-Bikaner Road project	251	251
O&M of Seoni-Balaghat Gondia Road, MP	51	49
Residential Complex for Judicial staff at Sec-19, Dwarka, Delhi	46	46
Other Contracts	85	8
Total Gross Order Book	**3,327**	**2,354**

Source: Company, Angel Research

Income Statement (Standalone)

Y/E March (₹ cr)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	**1,343**	**1,754**	**2,019**	**2,453**	**2,857**
% Chg		*30.6*	*15.1*	*21.5*	*16.5*
Total Expenditure	1,211	1,578	1,807	2,186	2,539
Cost of Materials Consumed	954	1,376	1,587	1,921	2,237
Direct Labour, Sub-Contracts	180	118	125	150	173
Employee benefits Expense	23	27	30	39	44
Other Expenses	55	57	65	76	86
EBITDA	**131**	**176**	**212**	**267**	**317**
% Chg		*34.0*	*20.3*	*26.1*	*18.7*
EBIDTA %	9.8	10.0	10.5	10.9	11.1
Depreciation	7	10	15	19	21
EBIT	124	166	197	249	296
% Chg		*33.9*	*18.3*	*26.4*	*19.0*
Interest and Financial Charges	51	70	84	115	139
Other Income	1	4	2	3	3
PBT	74	101	115	136	160
Tax	19	26	30	35	42
% of PBT	*25.4*	*25.4*	*26.0*	*26.0*	*26.0*
PAT before Exceptional item	55	75	85	100	118
Exceptional item	0	0	0	0	0
PAT	**55**	**75**	**85**	**100**	**118**
% Chg		*35.8*	*12.9*	*18.4*	*17.6*
PAT %	4.1	4.3	4.2	4.1	4.1
Diluted EPS	32	43	41	48	57
% Chg		*35.8*	*(4.6)*	*18.4*	*17.6*

Balance Sheet (Standalone)

Y/E March (₹ cr)	FY13	FY14	FY15E	FY16E	FY17E
Sources of Funds					
Equity Capital	18	18	21	21	21
Reserves Total	374	443	633	725	833
Networth	**391**	**460**	**654**	**746**	**854**
Total Debt	446	463	695	955	1,080
Other Long-term Liabilities	108	153	199	199	199
Deferred Tax Liability	30	34	35	35	35
Total Liabilities	**974**	**1,111**	**1,582**	**1,934**	**2,167**
Application of Funds					
Gross Block	175	214	279	324	364
Accumulated Depreciation	38	48	63	81	102
Net Block	**137**	**166**	**216**	**243**	**261**
Capital WIP	0	0	0	0	0
Investments	**98**	**166**	**220**	**308**	**308**
Current Assets					
Inventories	491	559	729	872	984
Sundry Debtors	302	374	544	640	730
Cash and Bank Balance	18	13	18	51	98
Loans, Advances & Deposits	71	97	90	89	95
Other Current Asset	4	6	39	46	48
Current Liabilities	285	324	365	405	447
Net Current Assets	**601**	**725**	**1,056**	**1,294**	**1,508**
Other Assets	139	53	90	90	90
Total Assets	**974**	**1,111**	**1,582**	**1,934**	**2,167**

Cash Flow Statement (Standalone)

Y/E March (₹ cr)	FY13	FY14	FY15E	FY16E	FY17E
Profit before tax	74	101	115	136	160
Depreciation	7	10	15	19	21
Change in Working Capital	(80)	(3)	(308)	(205)	(168)
Interest & Financial Charges	51	70	84	115	139
Direct taxes paid	(47)	(14)	(30)	(35)	(42)
Cash Flow from Operations	5	163	(125)	30	111
(Inc)/ Dec in Fixed Assets	(33)	(39)	(65)	(45)	(40)
(Inc)/ Dec in Investments	(26)	(68)	(54)	(88)	-
Cash Flow from Investing	(59)	(107)	(119)	(133)	(40)
Issue/ (Buy Back) of Equity	-	-	117	-	-
Inc./ (Dec.) in Loans	109	18	232	260	125
Dividend Paid (Incl. Tax)	(3)	(6)	(9)	(9)	(10)
Interest Expenses	(51)	(70)	(84)	(115)	(139)
Cash Flow from Financing	**55**	**(58)**	**256**	**136**	**(24)**
Inc./(Dec.) in Cash	1	(3)	13	33	46
Opening Cash balances	**7**	**8**	**6**	**18**	**51**
Closing Cash balances	**8**	**6**	**18**	**51**	**98**

Key Ratio (Standalone)

Y/E March	FY13	FY14	FY15E	FY16E	FY17E
Valuation Ratio (x)					
P/E (on FDEPS)	14.0	10.3	10.8	9.1	7.8
P/CEPS	12.4	9.1	9.2	7.7	6.6
Dividend yield (%)	0.7	0.7	0.8	0.8	0.9
EV/Sales	0.9	0.7	0.8	0.7	0.7
EV/EBITDA	9.2	7.0	7.5	6.8	6.0
EV / Total Assets	1.2	1.1	1.0	0.9	0.9
Per Share Data (₹)					
EPS (fully diluted)	31.6	42.9	40.9	48.5	57.0
Cash EPS	35.7	48.5	48.3	57.5	67.3
DPS	3.0	3.0	3.7	3.5	4.2
Book Value	224	263	315	360	412
Returns (%)					
RoCE (Pre-tax)	16.6	19.3	17.5	16.5	16.5
Angel RoIC (Pre-tax)	15.0	18.4	14.7	14.8	15.5
RoE	15.1	17.6	15.2	14.4	14.8
Turnover ratios (x)					
Asset Turnover (Gross Block) (X)	0.8	0.9	0.9	0.9	0.9
Inventory / Sales (days)	134	109	116	119	119
Receivables (days)	82	70	83	88	88
Payables (days)	28	27	25	22	20
Leverage Ratios (x)					
D/E ratio (x)	1.1	1.0	1.1	1.3	1.3
Interest Coverage Ratio (x)	2.4	2.4	2.4	2.2	2.1

Income Statement (Consolidated)

Y/E March (₹ cr)	FY13	FY14	FY15E	FY16E	FY17E
Net Sales	**1,355**	**1,766**	**2,038**	**2,507**	**2,986**
% Chg		*30.3*	*15.4*	*23.0*	*19.1*
Total Expenditure	1,212	1,578	1,809	2,196	2,557
Cost of Materials Consumed	954	1,376	1,587	1,921	2,237
Direct Labour, Sub-Contracts	180	118	125	150	173
Employee benefits Expense	23	27	30	39	44
Other Expenses	55	57	67	87	103
EBITDA	**143**	**188**	**229**	**311**	**429**
% Chg		*31.2*	*21.6*	*35.8*	*38.1*
EBIDTA %	10.6	10.7	11.2	12.4	14.4
Depreciation	11	14	21	34	57
EBIT	132	174	208	277	372
% Chg		*31.6*	*19.4*	*33.3*	*34.3*
Interest and Financial Charges	58	75	89	155	246
Other Income	2	4	2	3	3
PBT	76	103	121	125	129
Tax	20	26	31	36	44
% of PBT	*25.7*	*25.2*	*25.3*	*29.2*	*33.9*
PAT before Exceptional item	57	77	90	88	85
Exceptional item	0	0	0	0	0
PAT before Minority Interest	57	77	90	88	85
Minority Interest	0	0	0	0	(14)
PAT after Minority Interest	**57**	**77**	**90**	**88**	**99**
% Chg		*35.9*	*17.1*	*(1.9)*	*12.2*
PAT %	4.2	4.4	4.4	3.5	3.3
Diluted EPS	32	44	43	43	41
% Chg		*36.0*	*(1.1)*	*(1.9)*	*(3.8)*

Balance Sheet (Consolidated)

Y/E March (₹ cr)	FY13	FY14	FY15E	FY16E	FY17E
Sources of Funds					
Equity Capital	18	18	21	21	21
Reserves Total	380	451	642	722	797
Networth	**398**	**469**	**663**	**742**	**817**
Total Debt	644	772	1,391	1,955	2,183
Other Long-term Liabilities	44	40	73	73	73
Minority Interest	0	32	32	32	18
Deferred Tax Liability	30	34	35	35	35
Total Liabilities	**1,116**	**1,347**	**2,193**	**2,837**	**3,126**
Application of Funds					
Gross Block	248	287	352	841	1,583
Accumulated Depreciation	59	73	91	121	183
Net Block	**189**	**214**	**261**	**720**	**1,400**
Capital WIP	209	376	715	620	0
Investments	**20**	**20**	**24**	**24**	**24**
Current Assets					
Inventories	491	559	729	872	984
Sundry Debtors	253	318	594	731	829
Cash and Bank Balance	77	68	15	50	102
Loans, Advances & Deposits	72	98	90	89	95
Other Current Asset	6	8	39	46	48
Current Liabilities	208	330	365	405	447
Net Current Assets	**692**	**721**	**1,103**	**1,382**	**1,612**
Other Assets	6	16	90	90	90
Total Assets	**1,116**	**1,347**	**2,193**	**2,837**	**3,126**

Cash Flow Statement (Consolidated)

Y/E March (₹ cr)	FY13	FY14	FY15E	FY16E	FY17E
Profit before tax	76	103	121	125	129
Depreciation	11	14	21	34	57
Change in Working Capital	(35)	(56)	(472)	(248)	(172)
Interest & Financial Charges	58	75	89	155	246
Direct taxes paid	(48)	(14)	(31)	(36)	(44)
Cash Flow from Operations	62	122	(272)	28	216
(Inc)/ Dec in Fixed Assets	(172)	(206)	(404)	(394)	(121)
(Inc)/ Dec in Investments	(20)	-	(4)	-	-
Cash Flow from Investing	(191)	(206)	(409)	(394)	(121)
Issue/ (Buy Back) of Equity	-	-	117	-	-
Inc./ (Dec.) in Loans	202	128	619	564	228
Dividend Paid (Incl. Tax)	(3)	(6)	(9)	(9)	(10)
Interest Expenses	(58)	(75)	(89)	(155)	(246)
Minority Interest	0	32	-	-	(14)
Cash Flow from Financing	142	78	638	401	(42)
Inc./(Dec.) in Cash	13	(6)	(42)	35	53
Opening Cash balances	50	63	57	15	50
Closing Cash balances	63	57	15	50	102

Key Ratio (Consolidated)

Y/E March	FY13	FY14	FY15E	FY16E	FY17E
Valuation Ratio (x)					
P/E (on FDEPS)	13.7	10.1	10.2	10.4	10.8
P/CEPS	11.5	8.5	8.3	7.5	5.9
Dividend yield (%)	0.7	0.7	0.8	0.8	0.9
EV/Sales	1.0	0.8	1.1	1.1	1.0
EV/EBITDA	9.4	7.9	10.0	9.1	7.0
EV / Total Assets	1.2	1.1	1.0	1.0	1.0
Per Share Data (₹)					
EPS (fully diluted)	32.3	44.0	43.5	42.7	41.0
Cash EPS	38.7	52.0	53.6	58.9	75.3
DPS	3.0	3.0	3.7	3.5	4.2
Book Value	227.1	267.6	319.7	358.2	394.4
Returns (%)					
RoCE (Pre-tax)	14.6	15.6	12.7	11.8	13.2
Angel RoIC (Pre-tax)	12.9	14.4	10.2	10.4	12.5
RoE	15.2	17.8	15.9	12.6	12.7
Turnover ratios (x)					
Asset Turnover (Gross Block) (X)	0.6	0.7	0.7	0.5	0.4
Inventory / Sales (days)	127	108	115	117	113
Receivables (days)	57	59	82	97	95
Payables (days)	18	25	24	21	19
Leverage Ratios (x)					
D/E ratio (x)	1.6	1.6	2.1	2.6	2.7
Interest Coverage Ratio (x)	2.3	2.4	2.4	1.8	1.5

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1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

Ratings (Returns):	*Buy (> 15%)*	*Accumulate (5% to 15%)*	*Neutral (-5 to 5%)*
	Reduce (-5% to -15%)	*Sell (< -15%)*	

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