

**BUY**

TP: Rs 180 | ▲ 44%

**SADBHAV  
ENGINEERING**

| Infrastructure

| 16 August 2019

## Execution challenges cloud FY20 outlook

**Sadbhav Engineering's (SADE) Q1FY20 revenue underperformed estimates, dropping 8% YoY due to tardy execution of HAM projects and delayed AD award for newer contracts. EBITDA margins were healthy, rising 75bps YoY to 12.5%, but PAT nosedived 34% YoY on higher tax and interest cost. We downgrade FY20/FY21 EPS by 27%/35% given execution hurdles and the miss on revenue, but maintain BUY on cheap valuations post the 50% stock correction since April. On rollover, we have a reduced Jun'20 TP of Rs 180 (vs. Rs 295).**

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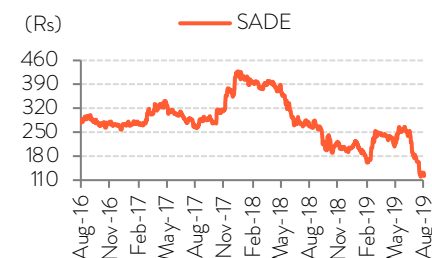
**Execution slowdown brings growth to a halt:** Q1 revenue declined 8% YoY to Rs 8.4bn vs. our estimate of Rs 9.8bn due to slow execution in ongoing HAM projects (ROW issues) and delays in receipt of appointed dates (AD) for the HAM contracts bagged in Q4FY18. SADE also terminated the Vizag Port road project due to land acquisition issues, which depleted the Jun'19 order backlog. As a result, its FY20 revenue guidance remains muted at Rs 36bn (+1.4% YoY). We now expect a modest revenue CAGR of 9.4% over FY19-FY22.

Ticker/Price	SADE IN/Rs 125
Market cap	US\$ 300.9mn
Shares o/s	172mn
3M ADV	US\$ 0.8mn
52wk high/low	Rs 308/Rs 115
Promoter/FPI/DII	47%/13%/25%

Source: NSE

**Loans & advances to SIPL swell; debt stays high:** Loans & advances to subsidiary SIPL swelled by Rs 1bn QoQ to Rs 6.3bn mainly to support equity investments in HAM projects. Standalone gross debt increased by Rs 400mn QoQ to Rs 15.3bn; net D/E as on Jun'19 was at 0.7x (unchanged QoQ). We expect gearing to moderate to 0.5x as on Mar'21 as receivables improve backed by a rising share of revenue from HAM projects (which have a faster payment schedule vis-à-vis EPC).

## STOCK PERFORMANCE



Source: NSE

**Maintain BUY on cheap valuations:** We slash FY20/FY21 EPS by 27%/35% to accommodate the disappointing Q1 revenues and hence reduce our SOTP-based TP to Rs 180. The stock has corrected ~50% since Apr'19 and appears to be largely pricing in the negatives. We find valuations of the core EPC business comfortable at 7x/5.6x FY20E/FY21E EPS and thus maintain BUY.

## KEY FINANCIALS (STANDALONE)

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Adj. net profit (Rs mn)	2,206	1,862	1,562	1,944	2,345
Adj. EPS (Rs)	12.9	10.9	9.1	11.3	13.7
Adj. EPS growth (%)	17.4	(15.6)	(16.1)	24.5	20.6
Adj. ROAE (%)	12.5	9.5	7.4	8.6	9.6
Adj. P/E (x)	9.7	11.5	13.7	11.0	9.1
EV/EBITDA (x)	9.4	8.4	8.5	7.1	6.1

Source: Company, BOBCAPS Research

**BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda**

Important disclosures, including any required research certifications, are provided at the end of this report.



**FIG 1 – STANDALONE QUARTERLY PERFORMANCE**

(Rs mn)	Q1FY20	Q1FY19	YoY (%)	Q4FY19	QoQ (%)
<b>Revenue</b>	<b>8,376</b>	<b>9,114</b>	<b>(8.1)</b>	<b>10,217</b>	<b>(18.0)</b>
Total Expenses	7,331	8,044	(8.9)	8,949	(18.1)
<b>EBITDA</b>	<b>1,046</b>	<b>1,070</b>	<b>(2.3)</b>	<b>1,268</b>	<b>(17.5)</b>
EBITDA Margin (%)	12.5	11.7	74bps	12.4	8bps
Other income	269	285	(5.4)	188	43.7
Interest (gross)	501	434	15.5	415	20.7
Depreciation	280	273	2.6	231	21.1
<b>PBT</b>	<b>534</b>	<b>648</b>	<b>(17.6)</b>	<b>809</b>	<b>(34.0)</b>
Tax provision	139	46	200.3	528	(73.6)
Effective tax rate (%)	26.1	7.2	1,894bps	65.2	(3914bps)
<b>Adjusted PAT</b>	<b>395</b>	<b>602</b>	<b>(34.4)</b>	<b>281</b>	<b>40.4</b>
Exceptional income / (expenses)	-	-	-	8	NM
<b>Reported PAT</b>	<b>395</b>	<b>602</b>	<b>(34.4)</b>	<b>289</b>	<b>36.7</b>
Adjusted PAT margin (%)	4.7	6.6	(189bps)	2.8	196bps
<b>EPS (Rs)</b>	<b>2.3</b>	<b>3.5</b>	<b>(34.4)</b>	<b>1.6</b>	<b>40.4</b>
<b>% growth YoY</b>					
Revenue	(8.1)	(3.5)	-	(7.5)	-
EBITDA	(2.3)	0.3	-	2.2	-
Other income	(5.4)	76.3	-	0.5	-
Interest	15.5	(2.3)	-	(15.7)	-
Depreciation	2.6	11.3	-	(2.0)	-
PBT	(17.6)	20.1	-	15.8	-
Adjusted PAT	(34.4)	8.5	-	(59.8)	-
Reported PAT	(34.4)	8.5	-	(58.7)	-

Source: Company, BOBCAPS Research

## Earnings call highlights

- Bid pipeline:** NHAI's current bid pipeline stands at Rs 606bn (43 EPC projects worth Rs 291bn and 28 HAM projects worth Rs 315bn), and management expects tenders to be placed before end-Sep'19. SADE plans to focus on completing the existing mining order backlog and hence will not bid for mining projects. On the irrigation front, the company intends to bid for projects forming part of the 'Jal Shakti' scheme, where tenders are expected to be announced from Q3FY20.
- FY20 guidance:** Management has guided for revenue at Rs 36bn including contribution of Rs 3.5bn from four HAM projects awaiting AD and Rs 2.5-3bn from mining projects; overall EBITDA margin at 12-12.25%; capex at Rs 450mn-500mn; effective tax rate at 25-26%; and order inflow of Rs 30bn-40bn.

- **High effective tax rate:** Completion of a majority of the projects carrying 80IA benefits in FY19 caused the effective tax rate to rise steeply to 26.1% in Q1 as against 7.2% last year.
- **Land availability:** Management's status update on land availability and work completion is illustrated in the table below:

**FIG 2 – LAND AVAILABILITY (3H STAGE) AND WORK COMPLETION STATUS**

Project	Land availability	Comments	
<b>For projects awaiting AD</b>			
Vadodara-Kim	76%	~80% land by end-Sep'19	
Tumkur-Shivamoga	50%	~80% land by Q4FY20	
Bhimasar-Bhuj	60%	~80% land by Q4FY20	
Gadag-Honnali	80%	Execution likely to commence from Oct'19	
Project	Land availability	Comments	Work completed
<b>For various ongoing projects</b>			
Rampur Pkg I	95% of 31km	Delinked 13km due to non-availability of land.	95% (based on 31km of land availability)
Rampur Pkg II	86%		50% (descope ~Rs 730mn of work)
Waranga-Mahagaon	84%		48%
Una-Kodinar	85% of ~35km	Likely descope of 6km of land; project cost likely to reduce by ~Rs 500mn	57% (based on ~35km of land availability)
Bhavnagar-Talaja	87%		85% (PCOD likely in Q3FY20)
BRT Tiger Reserve	98%		83% (likely to apply for PCOD in Q3FY20)
Udaipur Bypass	100%		75% (likely to apply for PCOD in Q4FY20)
Jodhpur Ring Road	91%		12%
Mumbai-Nagpur Expressway	76%		14%
Lucknow Ring Road	90%		27%
Ahmedabad-Rajkot	85-90%		34%

Source: Company, BOBCAPS Research

- **Equity requirement in HAM projects:** Of the total equity requirement of Rs ~13bn in 11 HAM projects, SIPL has invested Rs 5.5bn up to Jun'19 and the balance is likely to be invested over the next ~2.5 years.
- **Stake sale in operational road assets:** Sadbhav Infrastructure Projects (SIPL), a 69.6% subsidiary of SADE, has concluded its 100% stake sale in nine operational road assets to IndInfravit Trust at an EV of Rs 66.1bn. The equity value of the deal stands at Rs 25.5bn (~1.7x invested capital) to be paid out in two parts: Rs 19bn in cash and the balance Rs 6.5bn as 10% of units in IndInfravit Trust. SIPL's stake sale is effective from 1 Apr 2019.

SADE's management highlighted that conclusion of the transaction is contingent on approval by shareholders/unitholders of SIPL and IndInfravit, as

well as by NHAI/state authorities and lenders. The deal is also subject to other customary conditions including IndInfravit's capital raise. According to management, the relevant approvals are likely to come through by end-Sep'19/Oct'19. The deal is thus likely to conclude in Q3FY20 and monetisation proceeds are expected to flow in at this time.

- **SADE-SIPL merger update:** The company has appointed valuers and their valuation report is expected in the next 15-20 days. Thereafter, management will decide on the future course of action w.r.t merger of the two companies.

**FIG 3 – REVENUE BREAKUP SEGMENT-WISE**

Segments (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20
BOT/HAM	2,076	739	2,270	7,398	5,489	4,594	7,442	6,167	4,320
EPC	6,147	5,399	4,914	1,376	2,716	1,895	1,395	2,602	3,005
Mining	392	476	724	1,051	498	242	281	475	535
Irrigation	804	300	474	1,203	373	155	128	953	482
Power generation	23	17	6	9	21	21	7	12	20
Other operating revenue	3	-	6	8	18	-	4	8	15
<b>Total</b>	<b>9,444</b>	<b>6,931</b>	<b>8,394</b>	<b>11,045</b>	<b>9,114</b>	<b>6,906</b>	<b>9,255</b>	<b>10,217</b>	<b>8,376</b>
<b>% growth YoY</b>									
BOT/HAM	86.4	122.3	440.8	406.5	164.4	521.5	227.8	(16.6)	(21.3)
EPC	36.8	27.2	(24.2)	(79.7)	(55.8)	(64.9)	(71.6)	89.1	10.6
Mining	(45.8)	(27.7)	(27.7)	34.0	27.0	(49.2)	(61.2)	(54.8)	7.5
Irrigation	(52.3)	(66.8)	(35.8)	(4.1)	(53.6)	(48.3)	(73.1)	(20.8)	29.4
Power generation	1.4	(14.1)	5.6	(18.1)	(7.1)	24.2	24.6	38.4	(3.3)
Other operating revenue	(91.7)	na	na	(80.5)	546.4	na	(35.6)	(4.9)	(18.2)
<b>Total</b>	<b>17.0</b>	<b>12.6</b>	<b>(2.9)</b>	<b>6.9</b>	<b>(3.5)</b>	<b>(0.4)</b>	<b>10.3</b>	<b>(7.5)</b>	<b>(8.1)</b>
<b>% share</b>									
BOT/HAM	22.0	10.7	27.0	67.0	60.2	66.5	80.4	60.4	51.6
EPC	65.1	77.9	58.5	12.5	29.8	27.4	15.1	25.5	35.9
Mining	4.1	6.9	8.6	9.5	5.5	3.5	3.0	4.7	6.4
Irrigation	8.5	4.3	5.7	10.9	4.1	2.2	1.4	9.3	5.8
Power generation	0.2	0.2	0.1	0.1	0.2	0.3	0.1	0.1	0.2
Other operating revenue	0.0	-	0.1	0.1	0.2	-	0.0	0.1	0.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, BOBCAPS Research

**FIG 4 – PROJECTS WHERE APPOINTED DATES ARE EXPECTED IN Q2FY20 AND BEYOND (~RS 33.5BN)**

Sr.No.	Projects	EPC value (Rs mn)
<b>Project expected to start in Q2FY20</b>		
1	Kim-Ankleshwar	10,050
<b>Total</b>		<b>10,050</b>
<b>Projects expected to start beyond Q2FY20</b>		
1	Bhimasar-Bhuj	7,590
2	Gadag-Honnali	8,880
3	Tumkur-Shivamogga	7,000
<b>Total</b>		<b>23,470</b>

Source: Company, BOBCAPS Research

**FIG 5 – ORDER BACKLOG BREAKUP SEGMENT-WISE**

Segments (Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20
BOT/HAM	46,053	45,414	53,109	81,381	85,920	74,525	64,472	59,815	52,085
EPC	11,810	6,952	12,901	26,370	24,126	36,718	36,453	33,767	30,792
Mining	16,792	15,831	21,801	20,204	22,883	22,671	22,671	21,790	21,293
Irrigation	9,119	8,956	8,633	4,539	4,197	3,519	5,128	4,438	3,927
<b>Total</b>	<b>83,774</b>	<b>77,152</b>	<b>96,443</b>	<b>1,32,493</b>	<b>1,37,126</b>	<b>1,37,432</b>	<b>1,28,725</b>	<b>1,19,810</b>	<b>1,08,097</b>
<b>Book-to-bill (x)</b>	<b>2.4</b>	<b>2.2</b>	<b>2.7</b>	<b>3.8</b>	<b>3.9</b>	<b>3.9</b>	<b>3.5</b>	<b>3.4</b>	<b>3.1</b>
<b>% share</b>									
BOT/HAM	55.0	58.9	55.1	61.4	62.7	54.2	50.1	49.9	48.2
EPC	14.1	9.0	13.4	19.9	17.6	26.7	28.3	28.2	28.5
Mining	20.0	20.5	22.6	15.2	16.7	16.5	17.6	18.2	19.7
Irrigation	10.9	11.6	9.0	3.4	3.1	2.6	4.0	3.7	3.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Order inflows</b>	<b>15,750</b>	<b>1,413</b>	<b>25,490</b>	<b>43,282</b>	<b>13,121</b>	<b>16,200</b>	<b>1,609</b>	-	-
BOT/HAM	15,750	-	9,750	31,800	9,950	-	-	-	-
EPC	-	-	9,000	11,482	-	16,200	-	-	-
Mining	-	1,413	6,740	-	3,171	-	-	-	-
Irrigation	-	-	-	-	-	-	1,609	-	-
<b>Total</b>	<b>15,750</b>	<b>1,413</b>	<b>25,490</b>	<b>43,282</b>	<b>13,121</b>	<b>16,200</b>	<b>1,609</b>	-	-

Source: Company, BOBCAPS Research

**FIG 6 – GROSS TOLL COLLECTION TREND**

(Rs mn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20
<b>SPV's Under Operation</b>									
Ahmedabad RR	234	227	250	259	255	249	248	269	248
Aurangabad Jalna *	132	124	131	141	102	140	145	151	127
Bijapur Hungud	296	297	300	319	316	315	296	298	308
Hyderabad Yadgiri	171	159	185	179	202	171	193	203	221
Dhule Palesnar	426	441	475	475	458	484	482	488	477
Rohtak Panipat	247	250	284	290	303	264	262	235	234
Maharashtra Border Check Post	451	432	493	494	582	574	567	573	557
Shreenathji Udaipur	263	265	273	262	282	280	311	331	339
Bhilwara Rajsamand	116	110	108	104	115	120	134	146	147
Rohtak Hisar	132	136	153	150	151	150	171	178	172
<b>Total toll revenues</b>	<b>2,469</b>	<b>2,439</b>	<b>2,653</b>	<b>2,672</b>	<b>2,766</b>	<b>2,747</b>	<b>2,808</b>	<b>2,872</b>	<b>2,829</b>
<b>YoY growth (%)</b>									
Ahmedabad RR	(1.0)	(0.2)	4.3	8.1	8.8	9.8	(1.0)	4.0	(2.6)
Aurangabad Jalna	2.1	(1.3)	1.3	10.8	(22.9)	13.0	10.5	7.4	24.3
Bijapur Hungud	(2.6)	3.9	11.2	8.9	6.8	6.3	(1.5)	(6.6)	(2.7)
Hyderabad Yadgiri	15.1	26.7	33.8	17.1	17.9	7.7	4.3	13.2	9.5
Dhule Palesnar	2.1	10.6	10.7	5.7	7.4	9.7	1.4	2.7	4.2
Rohtak Panipat	20.8	29.4	41.3	29.1	22.4	5.7	(7.7)	(19.1)	(22.5)
Maharashtra Border Check Post	8.6	6.4	19.3	10.1	29.1	32.8	15.1	16.2	(4.4)
Shreenathji Udaipur	4.3	8.8	3.8	4.8	7.5	5.9	13.8	26.6	20.0
Bhilwara Rajsamand	NM	NM	1.1	(0.6)	(0.9)	8.9	24.2	40.3	27.3
Rohtak Hisar	NM	NM	14.9	15.6	14.1	10.8	11.8	18.4	13.6
<b>Total toll revenues</b>	<b>15.9</b>	<b>11.8</b>	<b>14.1</b>	<b>10.5</b>	<b>12.0</b>	<b>12.6</b>	<b>5.9</b>	<b>7.5</b>	<b>2.3</b>

Source: Company, BOBCAPS Research | \*Includes revenue from claims

## Valuation methodology

SADE is well placed to benefit from the large growth opportunities offered by India's road sector. Execution visibility on the existing order backlog remains intact, albeit with a lag due to delayed ADs. With AD for the Kim-Ankleshwar HAM project expected by end-Sep'19, for Gadag-Honnali by end-Oct'19 and for the remaining two HAM projects by Q4FY20, we expect execution in the core EPC business to pick up from FY21. This apart, SIPL's InvIT deal is at high valuations which shall bring in significant cash flows to pare debt (by ~Rs 5.5bn) and support future growth (currently not factored in as regulatory approval awaited).

Post a disappointing Q1, we cut FY20/FY21 EPS by 27%/35% to bake in below-expected revenues/delayed ADs, and roll forward to a new Jun'20 target price of Rs 180 (from Rs 295). We now expect the company to log a 9.4%/10.2% revenue/PBT CAGR over FY19-FY22 on a standalone basis. SADE is trading at 7x/5.6x FY20E/FY21E standalone earnings, adjusted for Rs 61/sh of asset value. The stock has corrected ~50% since 1 Apr 2019 and largely prices in the negatives; we thus maintain BUY.

**FIG 7 – REVISED ESTIMATES**

(Rs mn)	FY20E			FY21E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue	39,929	34,488	(13.6)	51,418	40,409	(21.4)
EBITDA	4,813	4,191	(12.9)	6,268	4,833	(22.9)
EBITDA margin (%)	12.1	12.2	10bps	12.2	12.0	(23bps)
Adjusted PAT	2,143	1,562	(27.1)	2,989	1,944	(35.0)
PAT margin (%)	5.4	4.5	(84bps)	5.8	4.8	(100bps)

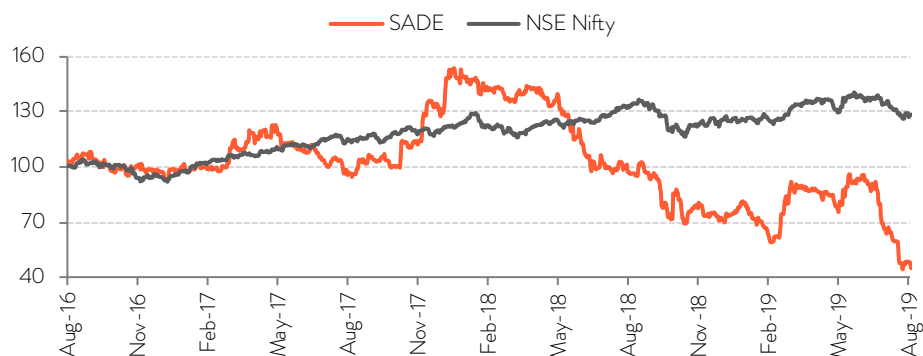
Source: Company, BOBCAPS Research

For our SOTP model, we value (i) the standalone EPC business at Rs 119/sh (10x Jun'21E earnings vs. 12x earlier due to near-term growth headwinds), (ii) SINP at Rs 59/sh (20% discount to its current market cap after adjusting for SADE's stake of 69.6%), and (iii) the Gadag-Honnali HAM project at Re 2/sh, valuing the cumulative equity investment made up to Mar'20E on a 1x P/BV multiple.

**FIG 8 – JUN'20 SOTP-BASED TARGET PRICE OF RS 180**

Business (Rs mn)	Basis of valuation	Value	Multiple (x)	Valuation	SADE's stake (%)	Holding company discount (%)	SADE's value	Per share (Rs)
SADE standalone (EPC)	P/E (x) on Jun'21E earnings	2,044	10	20,443	-	-	20,443	119
Sadbhav Infrastructure Project	Market cap	18,157	-	18,157	69.6	20.0	10,114	59
Gadag - Honnali (HAM project - KSHIIP)	P/BV (x) on investment made up to Mar'20E	300	1	300	-	-	300	2
<b>Total</b>		<b>20,502</b>	<b>-</b>	<b>38,901</b>	<b>-</b>	<b>-</b>	<b>30,858</b>	<b>180</b>
O/S shares								172

Source: Company, BOBCAPS Research

**FIG 9 – RELATIVE STOCK PERFORMANCE**

Source: NSE

### Key risks

- **Slowdown in road sector capex:** Capex in the road sector has witnessed some revival over the last two years. Any slowdown in project awarding would impact the company's growth and our estimates.
- **Delay in execution of projects in hand:** Execution hurdles due to delays in land acquisition or delay in appointed dates or other regulatory bottlenecks could affect SADE's revenue.
- **Slowdown in traffic:** A slowdown in industrial activity in areas housing SADE's toll BOT projects may impair revenue collection, resulting in negative cash flows. This may cause the company to infuse further equity from its standalone balance sheet to support BOT SPVs.

## FINANCIALS (STANDALONE)

### Income Statement

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Total revenue</b>	<b>35,050</b>	<b>35,492</b>	<b>34,488</b>	<b>40,409</b>	<b>46,412</b>
EBITDA	4,151	4,279	4,191	4,833	5,547
EBIT	3,172	3,321	3,022	3,587	4,197
Net interest income/(expenses)	(1,705)	(1,749)	(1,859)	(1,775)	(1,808)
Other income/(expenses)	695	1,003	1,006	1,046	1,059
Exceptional items	0	0	0	0	0
EBT	2,162	2,575	2,169	2,859	3,448
Income taxes	44	(714)	(607)	(915)	(1,103)
Extraordinary items	0	8	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
<b>Reported net profit</b>	<b>2,206</b>	<b>1,869</b>	<b>1,562</b>	<b>1,944</b>	<b>2,345</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>2,206</b>	<b>1,862</b>	<b>1,562</b>	<b>1,944</b>	<b>2,345</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Accounts payables	5,990	4,353	4,229	4,956	4,884
Other current liabilities	0	0	0	0	0
Provisions	182	234	233	238	299
Debt funds	14,847	14,900	13,550	13,150	13,100
Other liabilities	4,020	6,154	6,142	7,240	7,674
Equity capital	172	172	172	172	172
Reserves & surplus	6,291	6,291	6,291	6,291	6,291
Shareholders' fund	18,668	20,337	21,692	23,430	25,506
<b>Total liabilities and equities</b>	<b>43,706</b>	<b>45,977</b>	<b>45,846</b>	<b>49,013</b>	<b>51,462</b>
Cash and cash eq.	127	604	677	710	758
Accounts receivables	16,280	16,416	15,874	17,713	19,010
Inventories	1,643	1,792	2,400	2,436	2,367
Other current assets	0	0	0	0	0
Investments	5,775	6,094	6,300	6,750	7,000
Net fixed assets	5,004	4,939	4,420	3,975	3,525
CWIP	23	33	33	33	33
Intangible assets	0	0	0	0	0
Deferred tax assets, net	994	994	994	994	994
Other assets	13,860	15,107	15,149	16,402	17,776
<b>Total assets</b>	<b>43,706</b>	<b>45,977</b>	<b>45,846</b>	<b>49,013</b>	<b>51,462</b>

Source: Company, BOBCAPS Research



**Cash Flows**

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income + Depreciation	3,185	2,827	2,731	3,190	3,695
Interest expenses	1,705	1,749	1,859	1,775	1,808
Non-cash adjustments	0	0	0	0	0
Changes in working capital	632	(1,034)	(245)	(1,299)	(2,241)
Other operating cash flows	0	0	0	0	0
<b>Cash flow from operations</b>	<b>5,522</b>	<b>3,542</b>	<b>4,345</b>	<b>3,665</b>	<b>3,262</b>
Capital expenditures	(778)	(902)	(650)	(800)	(900)
Change in investments	(80)	(319)	(206)	(450)	(250)
Other investing cash flows	59	0	0	0	0
<b>Cash flow from investing</b>	<b>(799)</b>	<b>(1,221)</b>	<b>(856)</b>	<b>(1,250)</b>	<b>(1,150)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(2,924)	53	(1,350)	(400)	(50)
Interest expenses	(1,705)	(1,749)	(1,859)	(1,775)	(1,808)
Dividends paid	(145)	(155)	(207)	(207)	(207)
Other financing cash flows	(52)	7	0	0	0
<b>Cash flow from financing</b>	<b>(4,825)</b>	<b>(1,844)</b>	<b>(3,416)</b>	<b>(2,381)</b>	<b>(2,064)</b>
<b>Changes in cash and cash eq.</b>	<b>(103)</b>	<b>477</b>	<b>73</b>	<b>34</b>	<b>47</b>
<b>Closing cash and cash eq.</b>	<b>127</b>	<b>604</b>	<b>677</b>	<b>710</b>	<b>758</b>

**Per Share**

Y/E 31 Mar (Rs)	FY18A	FY19A	FY20E	FY21E	FY22E
Reported EPS	12.9	10.9	9.1	11.3	13.7
Adjusted EPS	12.9	10.9	9.1	11.3	13.7
Dividend per share	0.8	1.0	1.0	1.0	1.3
Book value per share	108.8	118.6	126.5	136.6	148.7

**Valuations Ratios**

Y/E 31 Mar (x)	FY18A	FY19A	FY20E	FY21E	FY22E
EV/Sales	1.1	1.0	1.0	0.8	0.7
EV/EBITDA	9.4	8.4	8.5	7.1	6.1
Adjusted P/E	9.7	11.5	13.7	11.0	9.1
P/BV	1.1	1.1	1.0	0.9	0.8

**DuPont Analysis**

Y/E 31 Mar (%)	FY18A	FY19A	FY20E	FY21E	FY22E
Tax burden (Net profit/PBT)	102.0	72.3	72.0	68.0	68.0
Interest burden (PBT/EBIT)	68.2	77.5	71.8	79.7	82.1
EBIT margin (EBIT/Revenue)	9.1	9.4	8.8	8.9	9.0
Asset turnover (Revenue/Avg TA)	83.5	79.2	75.1	85.2	92.4
Leverage (Avg TA/Avg Equity)	2.4	2.3	2.2	2.1	2.1
Adjusted ROAE	12.5	9.5	7.4	8.6	9.6

Source: Company, BOBCAPS Research | Note: TA = Total Assets

**Ratio Analysis**

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
<b>YoY growth (%)</b>					
Revenue	5.6	1.3	(2.8)	17.2	14.9
EBITDA	16.7	3.1	(2.1)	15.3	14.8
Adjusted EPS	17.4	(15.6)	(16.1)	24.5	20.6
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	11.8	12.1	12.2	12.0	12.0
EBIT margin	9.1	9.4	8.8	8.9	9.0
Adjusted profit margin	6.3	5.2	4.5	4.8	5.1
Adjusted ROAE	12.5	9.5	7.4	8.6	9.6
ROCE	9.6	10.0	8.8	10.3	11.5
<b>Working capital days (days)</b>					
Receivables	170	169	168	160	150
Inventory	17	18	25	22	22
Payables	62	45	45	45	45
<b>Ratios (x)</b>					
Gross asset turnover	5.0	4.6	4.1	4.4	4.6
Current ratio	3.1	3.2	3.2	3.0	3.1
Net interest coverage ratio	1.9	1.9	1.6	2.0	2.3
Adjusted debt/equity	0.8	0.7	0.6	0.5	0.5

Source: Company, BOBCAPS Research

## Disclaimer

### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

### HISTORICAL RATINGS AND TARGET PRICE: SADBHAV ENGINEERING (SADE IN)



B – Buy, A – Add, R – Reduce, S – Sell

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