

**BUY**

TP: Rs 160 | ▲ 37%

**SADBHAV  
ENGINEERING**

Infrastructure

18 November 2019

## Execution challenges continue to cloud growth

**Sadbhav Engineering's (SADE) Q2FY20 revenue missed estimates, dropping 18% YoY as the heavy monsoons hindered execution at key EPC projects and as AD award was delayed for newer contracts. EBITDA margins were healthy, rising 25bps YoY to 12.3% led by a better revenue mix, and PAT beat estimates at Rs 259mn (Rs 210mn est.; -33% YoY) due to a lower tax rate. We adjust FY20/FY21 EPS by +3%/–7% on changes in tax and revenue forecasts. Upon rollover, we have a reduced Mar'21 TP of Rs 160 (vs. Rs 175). Retain BUY.**

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**Execution slowdown brings growth to a halt:** Q2 revenue declined 18% YoY to Rs 5.7bn (Rs 6.5bn est.) due to (i) slow execution in ongoing EPC projects (Mumbai-Nagpur Expressway, Lucknow Ring Road Pkg 2) owing to the heavy, protracted monsoons, and (ii) delays in receipt of appointed dates (AD) for HAM contracts bagged in Q4FY18. SADE also terminated the Bhimasar-Bhuj road project due to land acquisition issues, which depleted the Sep'19 order backlog. As a result, its FY20 revenue guidance remains muted at Rs 35bn (flat YoY). We now expect a moderate revenue CAGR of 5% over FY19-FY22.

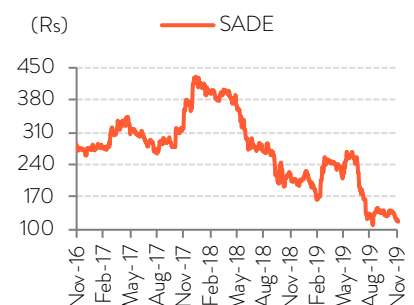
**Loans to SIPL swell:** Loans & advances to subsidiary SIPL swelled by Rs 1.7bn QoQ to Rs 8bn mainly to support equity investments in HAM projects. Standalone gross debt rose Rs 250mn QoQ to Rs 15.6bn; net D/E as on Sep'19 was at 0.7x (unchanged QoQ).

**Receivables remain high:** The debtor cycle remained stretched at ~215 days vs. 169 days as on Mar'19 due to outstanding payments of Rs 5.8bn in relation to cost escalation/change of scope/GST issues. We expect debtor days to moderate, supported by improved recoveries and a rising share of HAM revenue from H2FY20 (faster payment schedule than EPC).

Ticker/Price	SADE IN/Rs 117
Market cap	US\$ 278.7mn
Shares o/s	172mn
3M ADV	US\$ 0.3mn
52wk high/low	Rs 274/Rs 109
Promoter/FPI/DII	47%/13%/25%

Source: NSE

## STOCK PERFORMANCE



Source: NSE

## KEY FINANCIALS (STANDALONE)

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	35,051	35,492	34,013	37,709	40,584
EBITDA (Rs mn)	4,151	4,279	4,156	4,594	4,957
Adj. net profit (Rs mn)	2,207	1,862	1,672	2,003	2,270
Adj. EPS (Rs)	12.9	10.9	9.7	11.7	13.2
Adj. EPS growth (%)	17.5	(15.6)	(10.2)	19.8	13.4
Adj. ROAE (%)	12.5	9.5	7.9	8.8	9.2
Adj. P/E (x)	9.1	10.8	12.0	10.0	8.8
EV/EBITDA (x)	9.0	8.1	8.5	7.6	6.8

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 AND HALF-YEARLY NUMBERS**

Particulars (Rs mn)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)	H1FY20	H1FY19	YoY (%)
<b>Revenue</b>	<b>5,651</b>	<b>6,906</b>	<b>(18.2)</b>	<b>8,376</b>	<b>(32.5)</b>	<b>14,028</b>	<b>16,020</b>	<b>(12.4)</b>
Construction expenses	4,403	5,492	(19.8)	6,739	(34.7)	11,142	12,926	(13.8)
Employee benefit expenses	426	350	21.8	420	1.4	847	774	9.4
Other expenses	125	230	(45.5)	171	(26.8)	297	417	(28.8)
Total Expenses	4,955	6,073	(18.4)	7,331	(32.4)	12,286	14,117	(13.0)
<b>EBITDA</b>	<b>696</b>	<b>833</b>	<b>(16.5)</b>	<b>1,046</b>	<b>(33.5)</b>	<b>1,742</b>	<b>1,904</b>	<b>(8.5)</b>
EBITDA Margin (%)	12.3	12.1	25bps	12.5	(17bps)	12.4	11.9	53bps
Other income	313	226	38.2	269	16.1	582	511	13.9
Interest (gross)	456	433	5.4	501	(9.0)	957	867	10.4
Depreciation	277	244	13.5	280	(1.1)	557	517	7.8
<b>PBT</b>	<b>276</b>	<b>383</b>	<b>(28.0)</b>	<b>534</b>	<b>(48.4)</b>	<b>810</b>	<b>1,031</b>	<b>(21.5)</b>
Tax provision	17	(0)	(9,825.0)	139	(87.7)	157	46	238.5
Effective tax rate (%)	6.2	(0.0)	626bps	26.1	(1,990bps)	19.3	4.5	1,485bps
<b>Adjusted PAT</b>	<b>259</b>	<b>383</b>	<b>(32.5)</b>	<b>395</b>	<b>(34.5)</b>	<b>653</b>	<b>985</b>	<b>(33.7)</b>
Exceptional income / (expenses)	-	-	-	-	-	-	-	-
<b>Reported PAT</b>	<b>259</b>	<b>383</b>	<b>(32.5)</b>	<b>395</b>	<b>(34.5)</b>	<b>653</b>	<b>985</b>	<b>(33.7)</b>
Adjusted PAT margin (%)	4.6	5.5	(97bps)	4.7	(14bps)	4.7	6.1	(149bps)
EPS (Rs)	1.5	2.2	(32.5)	2.3	(34.5)	3.8	5.7	(33.7)

Source: Company, BOBCAPS Research

## Earnings call highlights

- Bid pipeline:** NHAI's current bid pipeline stands at Rs 643bn (37 EPC projects worth Rs 256bn and 37 HAM projects worth Rs 387bn), and management expects tenders to be placed before end-Dec'19. SADE plans to focus on completing its existing mining order backlog and hence will not bid for mining projects. On the irrigation front, the company intends to bid for river-linking projects, where 2-3 tenders are expected to be announced in FY20. SADE is also looking to participate in metro projects in the near term.
- FY20 guidance:** Management has guided for revenue of Rs 35bn including combined contribution of ~Rs 3bn/~Rs 3.5bn in Q3/Q4 from the EPC projects of Mumbai-Nagpur Expressway and Lucknow Ring Road (Pkg 2) and Rs 1.5bn-1.7bn from mining projects in H2. EBITDA margin is guided at 12-12.25%, capex at Rs 600mn-700mn (Rs 300mn-320mn done in H1), and effective tax rate at ~20%. The Kim-Ankleshwar NHAI HAM project received AD on 1 Nov 2019 (EPC cost of Rs 10.05bn); management expects revenue contribution to begin from Q3 onwards.
- AD and land availability:** According to management, the two remaining HAM projects of Gadag-Honnali and Tumkur-Shivamogga (Pkg – III) are likely to be awarded AD by late-Q3 or early-Q4. At the Gadag-Honnali project, ~80% of the land is in place, while at Tumkur-Shivamogga (Pkg – III), ~57% is in place (over 80% land in 3D/3G stage pending payment disbursement).

- Equity requirement in HAM projects:** Of the total equity requirement of Rs ~10bn in 11 HAM projects, Sadbhav Infrastructure Projects (SIPL) has invested Rs 5.9bn up to Sep'19. The balance is likely to be invested over the next ~2.5 years (Rs 1.3bn/Rs 2.2bn/ Rs 620mn in H2FY20E/FY21E/ FY22E). Equity requirement for Gadag-Honnali (KSHIP) of SADE, stands at Rs 1bn, to be invested over 2-2.5 years (AD awaited).
- Stake sale in operational road assets:** 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 the 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, approvals have come through from the relevant road authorities (NHAI/KSHIP/MSRDC) for eight out of nine projects (pending from AUDA; likely in next 10-15 days). Also, 81% of project lenders at the SPV level have approved the deal and the rest are expected to do so within the next 10-15 days.

With final approvals likely to come through by end-Nov'19, the deal should be concluded in Q3FY20 and monetisation proceeds are expected to flow in by mid-to-end Dec'19.

- SADE-SIPL merger update:** The board has approved the merger of SIPL into SADE at a swap ratio of 1:3. At present, the promoter group holds 46.55% stake in SADE, which will reduce to 38.74% post this transaction. The merger is subject to approvals from NCLT and respective stakeholders.
- Tax regime:** With outstanding MAT credit of ~ Rs 1bn, management has decided to follow the old tax regime and is likely to shift to the new tax rate from FY21.
- Outstanding receivables:** High debtor days at ~215 days as on Sep'19 (169 as on Mar'19) were due to outstanding recoveries of ~Rs 5.8bn on HAM projects – these related to cost escalation (~Rs 2.7bn), GST issues in seven of eight HAM contracts (~Rs 1.1bn), and changes in scope of work (~Rs 2bn). According to management, recoveries are likely to improve in H2 and receivables are expected to remain under control.

**FIG 2 – SEGMENTAL BREAKUP OF REVENUE**

Segments (Rs mn)	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
BOT/HAM	739	2,270	7,398	5,489	4,594	7,442	6,167	4,320	4,012
EPC	5,399	4,914	1,376	2,716	1,895	1,395	2,602	3,005	1,151
Mining	476	724	1,051	498	242	281	475	535	295
Irrigation	300	474	1,203	373	155	128	953	482	187
Power generation	17	6	9	21	21	7	12	20	6
Other operating revenue	-	6	8	18	-	4	8	15	-
<b>Total</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>5,651</b>
<b>% growth YoY</b>									
BOT/HAM	122.3	440.8	406.5	164.4	521.5	227.8	(16.6)	(21.3)	(12.7)
EPC	27.2	(24.2)	(79.7)	(55.8)	(64.9)	(71.6)	89.1	10.6	(39.2)
Mining	(27.7)	(27.7)	34.0	27.0	(49.2)	(61.2)	(54.8)	7.5	21.9
Irrigation	(66.8)	(35.8)	(4.1)	(53.6)	(48.3)	(73.1)	(20.8)	29.4	20.6
Power generation	(14.1)	5.6	(18.1)	(7.1)	24.2	24.6	38.4	(3.3)	(70.7)
Other operating revenue	na	na	(80.5)	546.4	na	(35.6)	(4.9)	(18.2)	na
<b>Total</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>(18.2)</b>
<b>% share</b>									
BOT/HAM	10.7	27.0	67.0	60.2	66.5	80.4	60.4	51.6	71.0
EPC	77.9	58.5	12.5	29.8	27.4	15.1	25.5	35.9	20.4
Mining	6.9	8.6	9.5	5.5	3.5	3.0	4.7	6.4	5.2
Irrigation	4.3	5.7	10.9	4.1	2.2	1.4	9.3	5.8	3.3
Power generation	0.2	0.1	0.1	0.2	0.3	0.1	0.1	0.2	0.1
Other operating revenue	-	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 3 – PROJECTS WHERE APPOINTED DATE EXPECTED BEYOND Q3FY20**

SN	Projects	EPC value (Rs mn)
1	Gadag-Honnali	8,880
2	Tumkur-Shivamogga	7,000
<b>Total</b>		<b>15,880</b>

Source: Company, BOBCAPS Research

**FIG 4 – ORDER BACKLOG BREAK-UP SEGMENT-WISE (83% EXECUTABLE AS OF SEP'19)**

Segments (Rs mn)	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
BOT/HAM	45,414	53,109	81,381	85,920	74,525	64,472	59,815	52,085	40,556
EPC	6,952	12,901	26,370	24,126	36,718	36,453	33,767	30,792	29,874
Mining	15,831	21,801	20,204	22,883	22,679	22,671	21,790	21,293	21,021
Irrigation	8,956	8,633	4,539	4,197	3,519	5,128	4,438	3,927	3,762
<b>Total</b>	<b>77,152</b>	<b>96,443</b>	<b>1,32,493</b>	<b>1,37,126</b>	<b>1,37,441</b>	<b>1,28,725</b>	<b>1,19,810</b>	<b>1,08,097</b>	<b>95,212</b>
Book-to-bill (x)	2.2	2.7	3.8	3.9	3.9	3.5	3.4	3.1	1.6
<b>% share</b>									
BOT/HAM	58.9	55.1	61.4	62.7	54.2	50.1	49.9	48.2	42.6
EPC	9.0	13.4	19.9	17.6	26.7	28.3	28.2	28.5	31.4
Mining	20.5	22.6	15.2	16.7	16.5	17.6	18.2	19.7	22.1
Irrigation	11.6	9.0	3.4	3.1	2.6	4.0	3.7	3.6	4.0
<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>									
BOT/HAM	-	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>1,413</b>	<b>25,490</b>	<b>43,282</b>	<b>13,121</b>	<b>16,200</b>	<b>1,609</b>	<b>-</b>	<b>-</b>	<b>-</b>

Source: Company, BOBCAPS Research

**FIG 5 – GROSS TOLL COLLECTION TREND**

(Rs mn)	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20
<b>SPVs Under Operation</b>									
Ahmedabad RR (ARR)*	227	250	259	255	249	248	270	249	256
Aurangabad Jalna (AJTL)*	124	131	141	102	140	145	151	127	113
Bijapur Hungud (BH TL)	297	300	319	316	315	296	298	308	314
Hyderabad Yadgiri (HYTL)	159	185	179	202	171	193	203	221	177
Dhule Palesnar (DPTL)	441	475	475	458	484	482	488	477	477
Rohtak Panipat (RPTL)	250	284	290	303	264	262	235	234	210
Maharashtra Border Check Post (MBCPNL)	432	493	494	582	574	567	573	557	527
Shreenathji Udaipur (SUTPL)	265	273	262	282	280	311	331	339	315
Bhilwara Rajsamand (BRTPL)	110	108	104	115	120	134	146	147	136
Rohtak Hisar (RHTPL)	136	153	150	151	150	171	178	172	171
<b>Total toll revenues</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>2,873</b>	<b>2,829</b>	<b>2,696</b>
<b>YoY growth (%)</b>									
Ahmedabad RR (ARR)	(0.2)	4.3	8.1	8.8	9.8	(1.0)	4.2	(2.4)	2.8
Aurangabad Jalna (AJTL)	(1.3)	1.3	10.8	(22.9)	13.0	10.5	7.4	24.3	(19.2)
Bijapur Hungud (BH TL)	3.9	11.2	8.9	6.8	6.3	(1.5)	(6.6)	(2.7)	(0.4)
Hyderabad Yadgiri (HYTL)	26.7	33.8	17.1	17.9	7.7	4.3	13.2	9.5	3.9
Dhule Palesnar (DPTL)	10.6	10.7	5.7	7.4	9.7	1.4	2.7	4.2	(1.4)
Rohtak Panipat (RPTL)	29.4	41.3	29.1	22.4	5.7	(7.7)	(19.1)	(22.5)	(20.7)
Maharashtra Border Check Post (MBCPNL)	6.4	19.3	10.1	29.1	32.8	15.1	16.2	(4.4)	(8.1)
Shreenathji Udaipur (SUTPL)	8.8	3.8	4.8	7.5	5.9	13.8	26.6	20.0	12.2
Bhilwara Rajsamand (BRTPL)	NM	1.1	(0.6)	(0.9)	8.9	24.2	40.3	27.3	13.6
Rohtak Hisar (RHTPL)	NM	14.9	15.6	14.1	10.8	11.8	18.4	13.6	14.0
<b>Total toll revenues</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>	<b>(1.9)</b>

Source: BOBCAPS Research, Company | \*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 in place and for Gadag-Honnali / Tumkur-Shivamogga (Pkg – III) likely by late-Q3 or early-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 6.5bn) and support future growth (currently not factored in as regulatory approval awaited).

We adjust FY20/FY21 earnings by +2.9%/-7% due to reduced tax rate and revenue assumptions, and roll forward to a new Mar'21 target price of Rs 160 (from Rs 175). We now expect the company to log a 5%/6% revenue/PBT CAGR over FY19-FY22 on a standalone basis. SADE is trading at 7.3x/6.1x FY20E/FY21E standalone earnings, adjusted for Rs 45/sh of asset value. Though the stock has corrected ~50% since 1 Apr 2019 and largely prices in the negatives, order inflows are a key catalyst for future growth and hence need to be closely monitored. Maintain BUY.

**FIG 6 – REVISED ESTIMATES**

(Rs mn)	FY20E			FY21E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue	34,488	34,013	(1.4)	40,409	37,709	(6.7)
EBITDA	4,191	4,156	(0.8)	4,833	4,594	(4.9)
EBITDA margin (%)	12.2	12.2	7bps	12.0	12.2	22bps
Adjusted PAT	1,625	1,672	2.9	2,153	2,003	(7.0)
PAT margin (%)	4.7	4.9	20bps	5.3	5.3	(2bps)

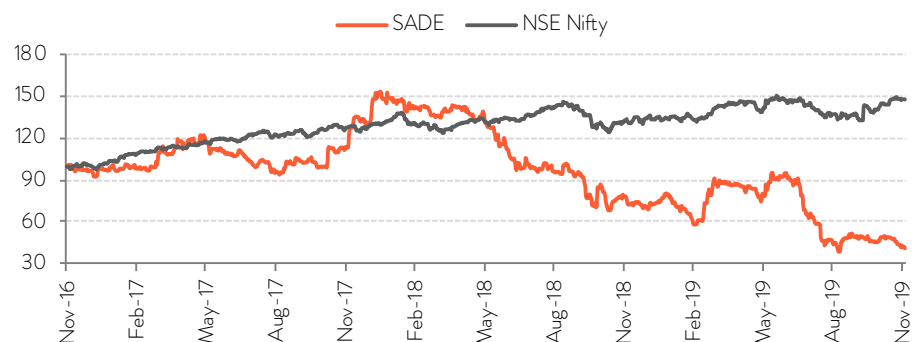
Source: Company, BOBCAPS Research

For our SOTP model, we value (i) the standalone EPC business at Rs 114/sh (9x Mar'22E earnings), (ii) SINP at Rs 43/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'21E on a 0.5x P/BV multiple.

**FIG 7 – MAR'21 SOTP-BASED TARGET PRICE OF RS 160**

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 Mar'22E earnings	2,179	9	19,613	-	-	19,613	114
Sadbhav Infrastructure Project	Market Cap	13,385	-	13,385	69.6	20%	7,456	43
Gadag - Honnali (HAM project - KSHIIP)	P/Bv (x) on investment made upto Mar'21E	700	0.5	350	-	-	350	2
<b>Total</b>		<b>16,264</b>		<b>33,348</b>			<b>27,419</b>	<b>160</b>
O/S shares								172

Source: Company, BOBCAPS Research

**FIG 8 – 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>35,051</b>	<b>35,492</b>	<b>34,013</b>	<b>37,709</b>	<b>40,584</b>
EBITDA	4,151	4,279	4,156	4,594	4,957
Depreciation	(979)	(958)	(1,162)	(1,267)	(1,380)
EBIT	3,172	3,321	2,993	3,327	3,577
Net interest income/(expenses)	(1,908)	(1,749)	(2,094)	(1,983)	(1,882)
Other income/(expenses)	898	1,003	1,213	1,347	1,356
Exceptional items	0	0	0	0	0
EBT	2,163	2,575	2,113	2,692	3,052
Income taxes	44	(714)	(440)	(689)	(781)
Extraordinary items	0	8	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
<b>Reported net profit</b>	<b>2,207</b>	<b>1,869</b>	<b>1,672</b>	<b>2,003</b>	<b>2,270</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>2,207</b>	<b>1,862</b>	<b>1,672</b>	<b>2,003</b>	<b>2,270</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Accounts payables	5,990	4,353	5,111	5,166	5,559
Other current liabilities	0	0	0	0	0
Provisions	182	224	225	227	291
Debt funds	14,847	15,873	15,675	14,475	13,725
Other liabilities	4,020	5,191	6,041	6,199	6,449
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	21,802	23,598	25,600
<b>Total liabilities and equities</b>	<b>43,706</b>	<b>45,977</b>	<b>48,854</b>	<b>49,665</b>	<b>51,625</b>
Cash and cash eq.	127	604	563	740	833
Accounts receivables	16,280	16,416	17,192	17,563	18,847
Inventories	1,643	1,792	1,712	1,904	2,049
Other current assets	0	0	661	0	0
Investments	5,775	6,094	6,343	6,793	7,093
Net fixed assets	5,004	4,939	4,427	4,010	3,530
CWIP	23	33	33	33	33
Intangible assets	0	0	0	0	0
Deferred tax assets, net	994	994	1,092	1,092	1,092
Other assets	13,860	15,107	16,831	17,531	18,148
<b>Total assets</b>	<b>43,706</b>	<b>45,977</b>	<b>48,854</b>	<b>49,665</b>	<b>51,625</b>

Source: Company, BOBCAPS Research



**Cash Flows**

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income + Depreciation	3,186	2,827	2,834	3,270	3,650
Interest expenses	1,908	1,749	2,094	1,983	1,882
Non-cash adjustments	0	0	0	0	0
Changes in working capital	632	(1,998)	(920)	(1,047)	(1,401)
Other operating cash flows	0	0	0	0	0
<b>Cash flow from operations</b>	<b>5,725</b>	<b>2,578</b>	<b>4,009</b>	<b>4,205</b>	<b>4,132</b>
Capital expenditures	(778)	(902)	(650)	(850)	(900)
Change in investments	(80)	(319)	(249)	(450)	(300)
Other investing cash flows	59	0	0	0	0
<b>Cash flow from investing</b>	<b>(799)</b>	<b>(1,221)</b>	<b>(899)</b>	<b>(1,300)</b>	<b>(1,200)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(2,924)	1,026	(198)	(1,200)	(750)
Interest expenses	(1,908)	(1,749)	(2,094)	(1,983)	(1,882)
Dividends paid	(145)	(165)	(197)	(207)	(207)
Other financing cash flows	(52)	7	(661)	661	0
<b>Cash flow from financing</b>	<b>(5,029)</b>	<b>(881)</b>	<b>(3,150)</b>	<b>(2,728)</b>	<b>(2,838)</b>
<b>Changes in cash and cash eq.</b>	<b>(103)</b>	<b>477</b>	<b>(41)</b>	<b>177</b>	<b>93</b>
<b>Closing cash and cash eq.</b>	<b>127</b>	<b>604</b>	<b>563</b>	<b>740</b>	<b>833</b>

**Per Share**

Y/E 31 Mar (Rs)	FY18A	FY19A	FY20E	FY21E	FY22E
Reported EPS	12.9	10.9	9.7	11.7	13.2
Adjusted EPS	12.9	10.9	9.7	11.7	13.2
Dividend per share	0.8	1.0	1.0	1.0	1.3
Book value per share	108.8	118.5	127.1	137.5	149.2

**Valuations Ratios**

Y/E 31 Mar (x)	FY18A	FY19A	FY20E	FY21E	FY22E
EV/Sales	1.1	1.0	1.0	0.9	0.8
EV/EBITDA	9.0	8.1	8.5	7.6	6.8
Adjusted P/E	9.1	10.8	12.0	10.0	8.8
P/BV	1.1	1.0	0.9	0.8	0.8

**DuPont Analysis**

Y/E 31 Mar (%)	FY18A	FY19A	FY20E	FY21E	FY22E
Tax burden (Net profit/PBT)	102.0	72.3	79.2	74.4	74.4
Interest burden (PBT/EBIT)	68.2	77.5	70.6	80.9	85.3
EBIT margin (EBIT/Revenue)	9.1	9.4	8.8	8.8	8.8
Asset turnover (Revenue/Avg TA)	83.5	79.2	71.7	76.6	80.1
Leverage (Avg TA/Avg Equity)	2.4	2.3	2.3	2.2	2.1
Adjusted ROAE	12.5	9.5	7.9	8.8	9.2

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	(4.2)	10.9	7.6
EBITDA	16.7	3.1	(2.9)	10.6	7.9
Adjusted EPS	17.5	(15.6)	(10.2)	19.8	13.4
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	11.8	12.1	12.2	12.2	12.2
EBIT margin	9.1	9.4	8.8	8.8	8.8
Adjusted profit margin	6.3	5.2	4.9	5.3	5.6
Adjusted ROAE	12.5	9.5	7.9	8.8	9.2
ROCE	9.6	9.8	8.4	9.1	9.5
<b>Working capital days (days)</b>					
Receivables	170	169	185	170	170
Inventory	17	18	18	18	18
Payables	62	45	55	50	50
<b>Ratios (x)</b>					
Gross asset turnover	5.0	4.7	4.1	4.2	4.1
Current ratio	3.1	3.5	3.2	3.3	3.2
Net interest coverage ratio	1.7	1.9	1.4	1.7	1.9
Adjusted debt/equity	0.8	0.8	0.7	0.6	0.5

Source: Company, BOBCAPS Research

## Disclaimer

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

**BUY** – Expected return >+15%

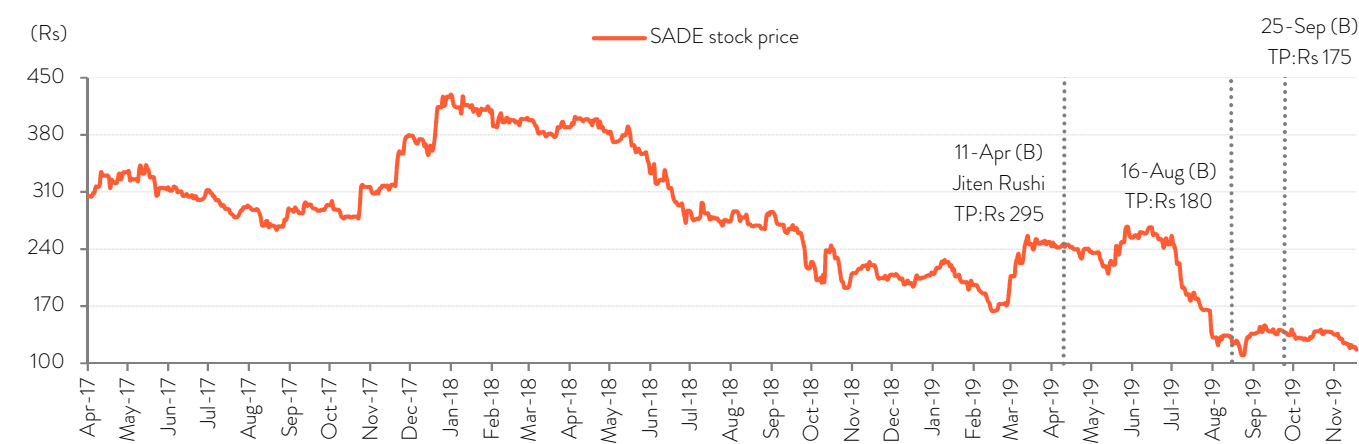
**ADD** – Expected return from >+5% to +15%

**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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