AXIS SECURITIES

Initiating Coverage
27th Aug, 2021

KNR Constructions Ltd

Infra/Cons

BUY
Target Price
360

Well-positioned to Reap Benefits of Infra Spending

We initiate coverage on KNR Constructions Limited (KNRCL) with a BUY recommendation and a Target Price (TP) of Rs 360/share, implying an upside of 18% from the current levels. We believe KNRCL is well placed to take advantage of the government push towards developing infrastructure, and emerging opportunities in the construction space aided by a strong management pedigree and the company's healthy financial position.

Investment Thesis

Favourable industry tailwinds

The road construction industry in India is going through a paradigm shift in terms of investments and policy support. Under Phase-I of the Bharatmala Pariyojana highway development program, the government has approved 34,800 Km of national highways projects out of 65,000 Km national highways with an outlay of 5.4 Lc Cr, both through the EPC and HAM model. Furthermore, the government has undertaken several policy initiatives in the recent past including the announcement of the land acquisition act, a fast-track process of arbitration claims, the introduction of the new EPC (Engineering, Procurement, and Construction) policy, and bringing in models such as Hybrid Annuity Model (HAM) and Toll Operate Transfer (TOT), among others. These are significantly aiding the overall development of the sector.

Good revenue growth visibility backed by strong and diversified order book

As of Jun'21 end, KNRCL order book stood robust at Rs 6,596 Cr (2.44x of FY21 revenue), comprising both road and irrigation projects. It has further received four road projects totalling Rs 5,083 Cr, resulting in a healthy cumulative order book of Rs11,679 Cr. The current order book size reflects comfortable revenue visibility for the next 2-3 years. Moreover, the company is also diversifying its project profile to cater to other opportunities in the construction space and is increasingly eyeing opportunities from the public sector to capitalise on the government's spending on Infra development. Supported by this healthy and diversified order book and emerging opportunities, we expect the company to deliver a revenue CAGR of 18% over FY21-FY24E.

Strong project execution skills & track record of timely project delivery

KNRCL has been one of the leading EPC contractors with 20+ years of project execution experience. It follows strict timelines for project delivery, which over the years, has resulted in repeat orders from the clients. Backed by its robust capabilities in complex project management, pan-India presence, and experienced technical professionals, KNR is well-positioned to capitalize on the emerging opportunities in the infrastructure sector in EPC and HAM projects from NHAI and Irrigation, water management schemes as well as metro flyovers. With better order inflows, we expect the company to maintain its margin profile between 18%- 19% over FY21-24E.

Healthy financial position to support future growth

The company exhibits a robust financial position reflected in its lean balance sheet, low Debt to Equity Ratio, and high interest coverage ratio. We expect the capital structure of the company to remain healthy from a medium to long-term perspective which will enable it to efficiently capture emerging opportunities.

Valuation & Recommendation - Initiate with BUY

Considering strong and diversified order book position, healthy bidding pipeline and new order inflows, emerging opportunities in the construction space, and efficient and timely execution, we expect the company to report Revenue/EBITDA/APAT CAGR of 18%/17%/30% over FY21-FY24E. Currently, the stock is trading at 15.5 x FY24E EPS. We initiate coverage with a BUY and value the EPC business at 17.5x FY24E EPS and HAM portfolio at 1x book value, to arrive at a target price of Rs 360/share, implying an upside potential of 17% from the current levels.

Key Financials (Standalone)

(Rs Cr)	FY21	FY22E	FY23E	FY24E
Net Sales	2703	3400	4012	4413
EBITDA	1652	2021	2439	852
Net Profit	244	367	466	540
EPS (Rs)	8.68	13.06	16.58	19.2
PER (x)	25	22	17	16
EV/EBITDA (x)	11.2	12.8	10.9	9.8
P/BV (x)	3.2	3.6	3.0	2.6
ROE (%)	14	18	19	18

Source: Company, Axis Research

CMP as of Aug 26, 2021)	
CMP (Rs)	307
Upside /Downside (%)	17%
High/Low (Rs)	309/114
Market cap (Cr)	8660
Avg. daily vol. (6m) Shrs.	4,62,272
No. of shares (Cr)	28.1

Shareholding (%)

	Dec-20	Mar-21	June-21
Promoter	55.03	55.03	53.25
FIIs	1.53	2.07	2.29
MFs / UTI	32.33	30.43	32.6
Banks / FIs	0	0	0
Others	11.11	12.47	11.86

Financial & Valuations

Y/E Mar (Rs Cr)	FY22E	FY23E	FY24E
Net Sales	3400	4012	4413
EBITD	2021	2439	852
Net Profit	367	466	540
EPS (Rs)	13.06	16.58	19.2
PER (x)	22	17	16
EV/EBITDA (x)	12.8	10.9	9.8
P/BV (x)	3.6	3.0	2.6
ROE (%)	18	19	18

Key Drivers (%) (Growth in %)

Y/E Dec	FY22E	FY23E
Net Sales	26	18
EBITDA	18	17
Net Profit	50	27

Axis vs Consensus

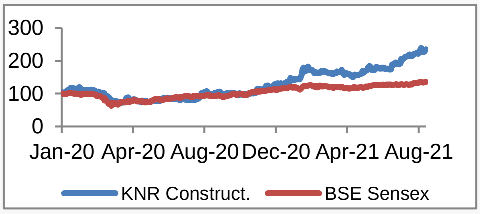
EPS Estimates	FY22E	FY23E
Axis	13.1	16.6
Consensus	12.3	16.6
Mean Consensus TP (12M) Rs	310	

ESG disclosure Score**

Environmental Disclosure Score	NA
Social Disclosure Score	NA
Governance Disclosure Score	NA
Total ESG Disclosure Score	NA

Source: Bloomberg, Scale: 0.1-100
**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2020 disclosures

Relative performance



Source: Capitaline, Axis Securities

Uttam Kumar Srimal
Research Analyst
email: uttamkumar.srimal@axissecurities.in
Shikha Doshi
Research Analyst
email: shikha.doshi@axissecurities.in

Financial Story In Charts

Exhibit 1: Revenue to grow with superior project execution capabilities

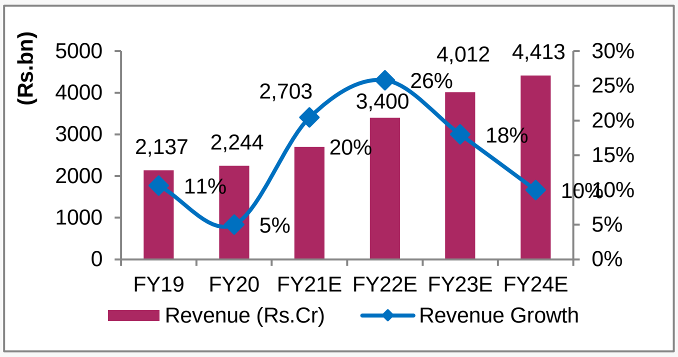
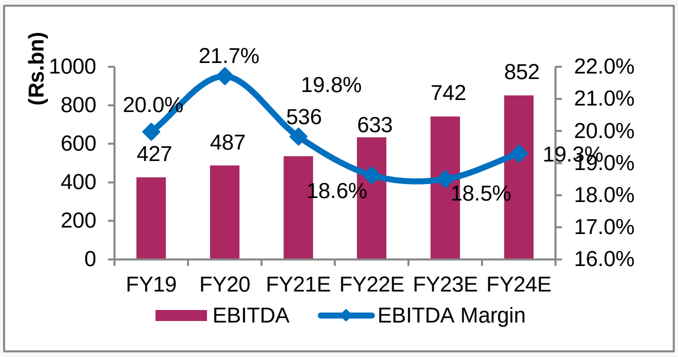


Exhibit 2: EBITDA to grow with stable margins



Source: Company, Axis Securities

Exhibit 3: PAT to showcase improvement

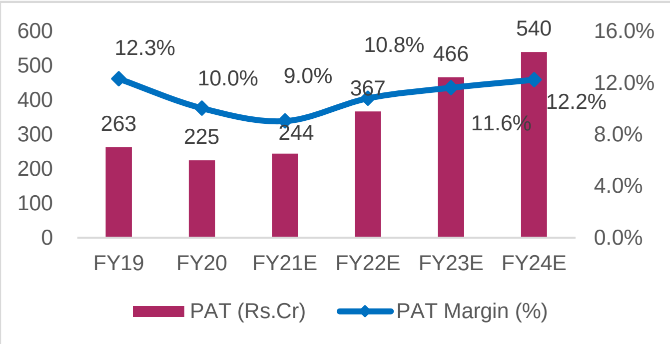
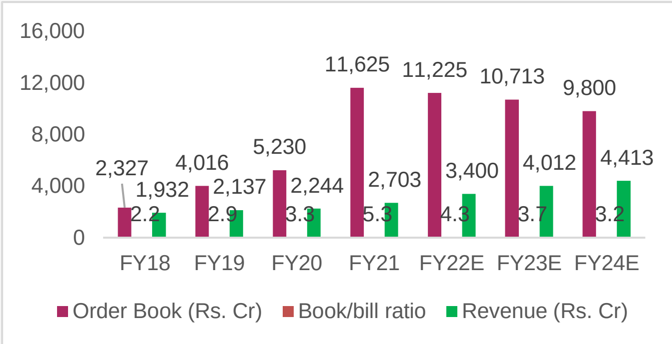


Exhibit 4: Order book and revenue to grow in tandem



Source: Company, Axis Securities

Exhibit 5: ROE & ROCE to exhibit further improvement

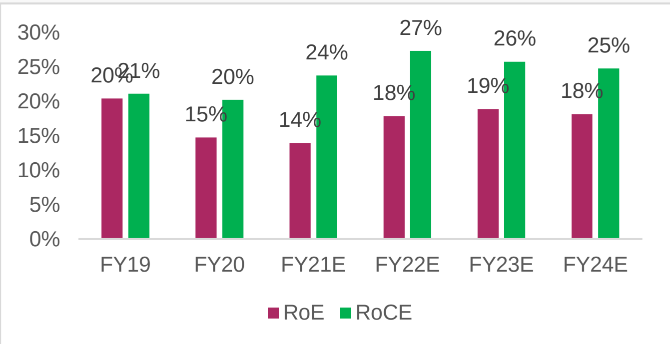
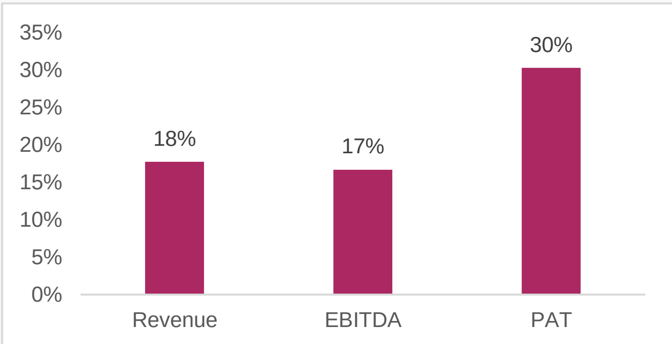


Exhibit 6: Robust Revenue/EBITDA/PAT CAGR growth (FY21-FY24E)



Source: Company, Axis Securities

Exhibit 7: Cash Conversion Cycle to improve

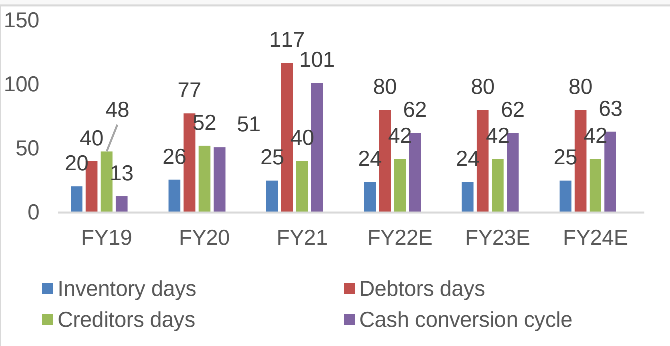
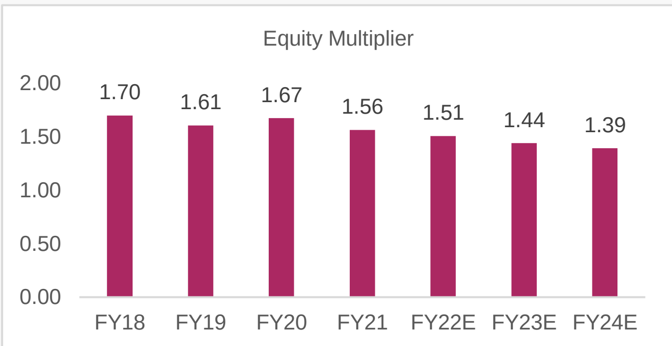


Exhibit 8: Equity Multiplier to improve



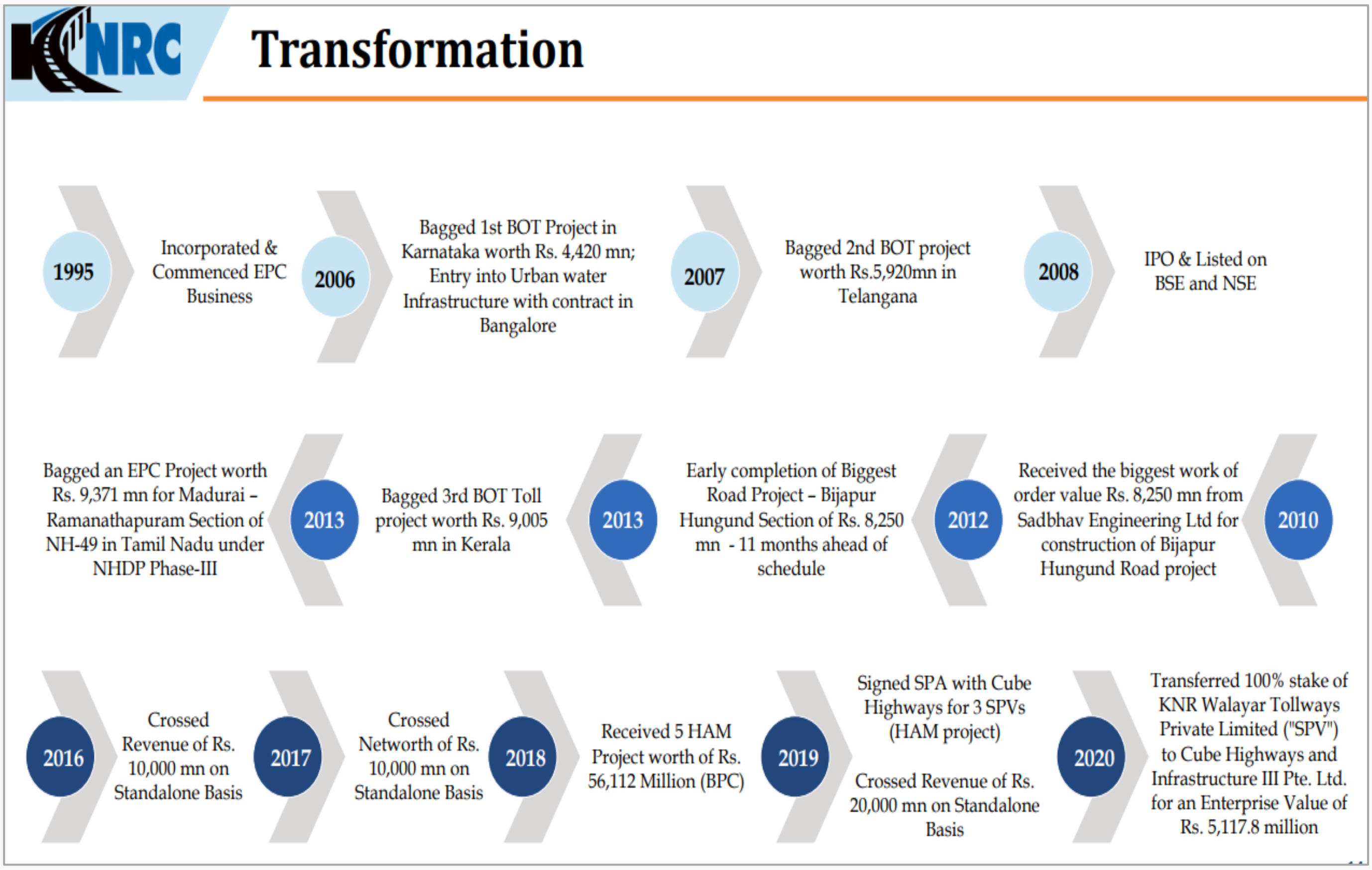
Source: Company, Axis Securities

Company Overview

- Shri K. Narasimha Reddy (Promoter of KNRCL) formed a partnership business M/s K Narasimha Reddy & Company in 1979. The firm was engaged in the business of undertaking civil and mechanical contracts and in 1995, KNRCL was established and soon acquired the firm to form a consolidated entity. Today, KNRCL is an ISO 14001:2004, 9001:2015 and OHSAS 18001:2007 Certified Company and a market leader in Road Infrastructure – EPC segment, with a 4-decade rich experience.
- Leveraging its strong and timely execution capabilities and deep experience over the last two decades, KNRCL has established a robust market position in the infrastructure projects space. With a large fleet of sophisticated construction equipment, KNRCL's hallmark of performance is its ability to deliver high-quality execution of technically complex and high-value projects across segments such as expressways, national highways, state highways, flyovers, and bridges in addition to irrigation projects and water management. With its pan-India presence in over 12 states, KNRCL is positioned itself to take advantage of emerging infra sector opportunities and is poised for a quantum leap.
- The company strives to provide superior services through its skilled workforce, adherence to the highest quality standards, maintaining excellent client relationships, and create value for all its stakeholders. It remains focused on ensuring cost optimization while simultaneously achieving client satisfaction. The company has successfully executed over 6,000 Km Road Projects across 12 states in India.

One of the premier EPC playerin India with four decade of rich experience in road construction

Exhibit 9: Brief history of the transformation of the company



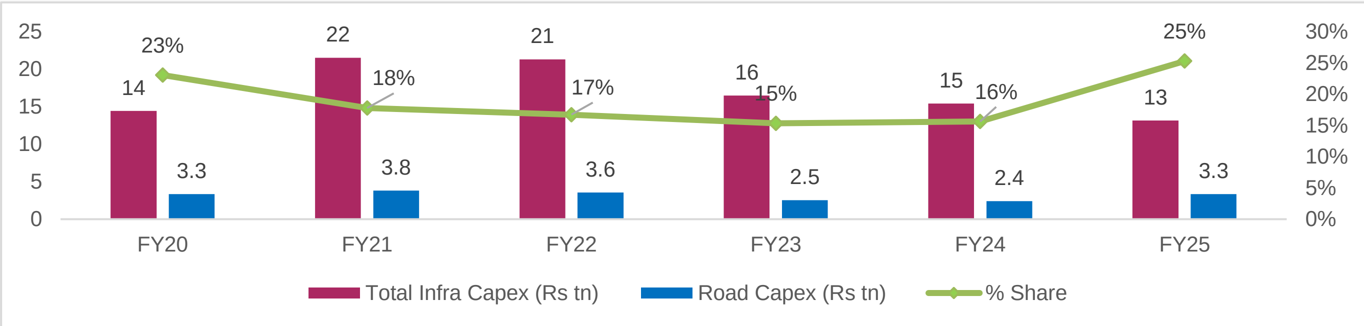
Source: Company, Axis Securities

Strong industry tailwinds to support future growth

- **Backbone of Indian economy:** The construction industry contributes to over 10% of GDP and is the backbone for economic upliftment as it generates large scale employment for labours, engineers, machine operators and drivers. It also aids several industries such as Capital Goods, Cement, Steel, Petrol, Diesel & Bitumen.
- **Proactive government thrust:** Under Phase-I of the Bharatmala Pariyojana Highway Development Programme, the government has approved the implementation of 34,800 Km of national highways projects (out of 65,000 Km) with an outlay of 5.4 Lc Cr, both in the EPC and HAM model. With the government's vision of making India a $5 Tn economy by 2025, infrastructure development is inevitable to play a pivotal role in providing massive opportunities to the well-placed incumbents.
- **A National Infrastructure Pipeline and Jal Jeevan Mission:** The road sector is expected to be the largest beneficiary of a National Infrastructure Pipeline (NIP) with an expected investment of Rs 111 Tn during the period 2020-25 and projects worth Rs 19.6 Tn identified (19%) for the sector. Furthermore, the government also announced a scheme - Jal Jeevan Mission (JJM) to reach every household with piped water supply by 2022 at a total budget of Rs 3,300 Bn.
- **Undepenetrated highways and expressways network provides huge growth opportunities:** The Indian road network spans across 6.21 Mn Km, but highways and expressways together constitute only 5% of the total road network in India, indicating significant demand for more highways and expressways in the country. NHAI (National Highways Authority Of India) and MORTH (Ministry of Road Transport and Highways) has set ambitious targets for road construction through Bharatmala and Sagarmala Pariyojana which will aid in the overall development of the sector and consequently provide a huge opportunity for EPC player like KNRCL.
- **Thrust to road construction:** In addition to this, a host of policy initiatives undertaken by the government in the recent past including the announcement of the land acquisition act, fast-tracking process of arbitration claims, the introduction of the new EPC (Engineering, Procurement and Construction) policy, bringing in models such as Hybrid Annuity Model (HAM), and Toll Operate Transfer (TOT), among others are going to accelerate the pace of road construction in India.

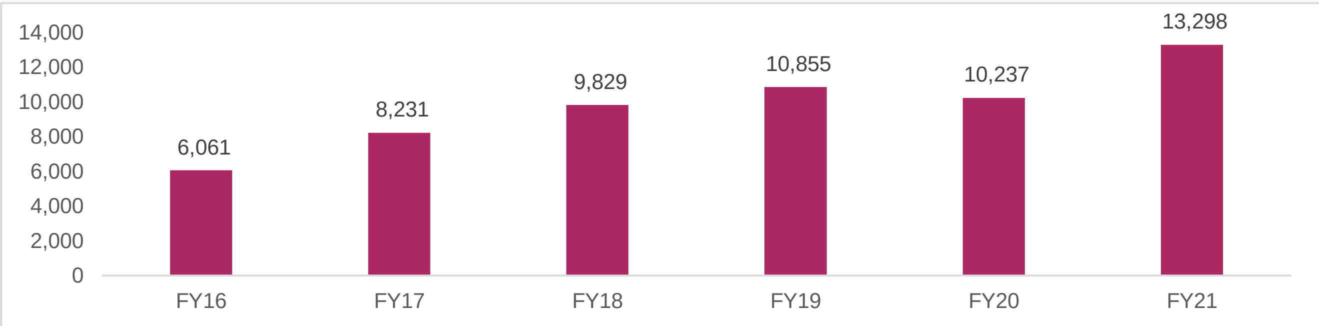
Massive development in road sector will aid in future growth prospect of the company

Exhibit 10: Total Estimated Infra Capex



Source: NIP Task Force Report

Exhibit 11: Highways construction in India (Km)



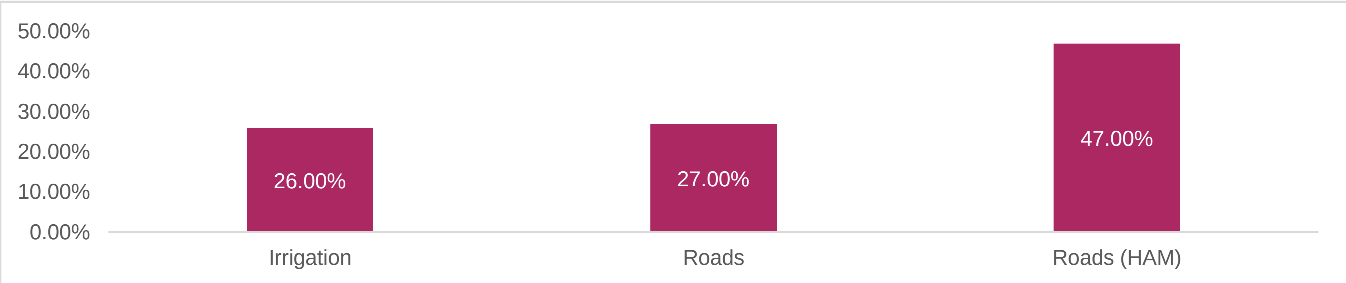
Source: IBEF Report

Good revenue growth visibility backed by strong and diversified order book

- **Strong and diversified order book:** The company's strong and diversified order book position provides sustainable revenue growth visibility for the next 2-3 years. As of 30th June 2021, the total order book of the company stood at Rs 6,596 Cr (2.44x of FY21 revenue) comprising road (HAM & EPC) and irrigation projects. It has also received three HAM and one EPC project totalling Rs5083 Cr, including this the total order book stands at Rs11679 Cr (4.32x of FY21 revenue). The company's order book has grown at an impressive CAGR of 20% from FY17-FY21. The company is targetting Rs3000- Rs 4000 Cr of order inflow in FY22.
- **On-track execution and healthy margins profile:** Currently, the company is executing 5 HAM and 2 EPC projects along with other road projects totalling Rs 3,575 Cr and irrigation projects worth Rs 3,020 Cr. In the case of road orders, HAM, EPC, and other orders account for 22% and 32% respectively. The majority of these projects are from the state governments followed by the central government and others. Of the five HAM projects, the company has received PCOD in one project while two projects are in the advanced stage of construction and the rest two are under construction. Irrigation projects are also progressing well. The company successfully completed two BOT Toll (NHAI) projects and two annuity (NHAI) projects earlier. On the back of the diversified order book, the margin profile of the company remains healthy as HAM and Irrigation projects yield better margins.
- **Achieving further diversification:** The company is also eyeing emerging opportunities in the construction space as it seeks to diversify further into elevated Metro and railway projects. Positive attributes such as higher government thrust on developing road infrastructure of the country by building more highways and expressways, increasing interest of investors in road projects, policy support and better funding are expected to augur well for the overall sector development, moving forward.
- **Impressive growth outlook:** With the healthy and diversified order book and emerging opportunities in other construction space, we expect the company to deliver a robust revenue CAGR of 18% over FY21-FY24E with stable margins between 18-19 % during the period.

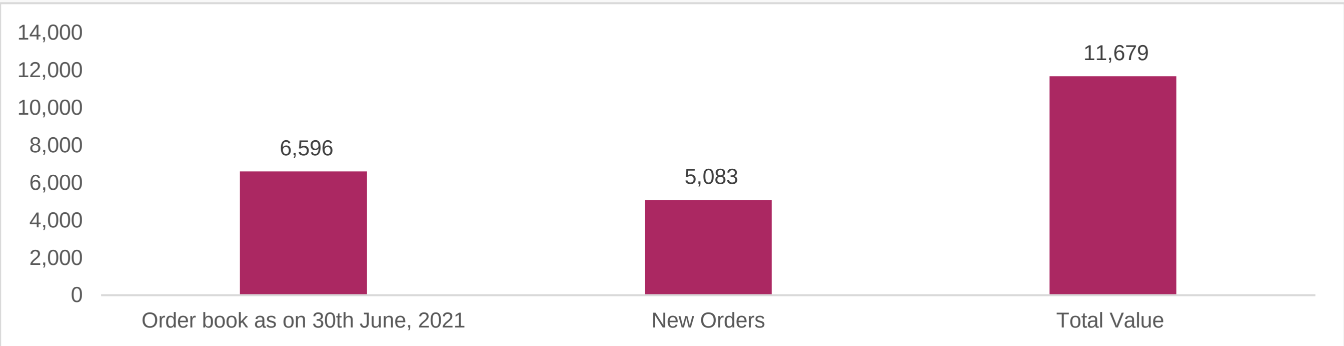
Strong order book of Rs.11679 Cr along with govt focus on developing road infrastructure augurs well for the company

Exhibit 12: Current order book split – Segment-wise



Source: IBEF Report

Exhibit 13: Order book value (Rs Cr)



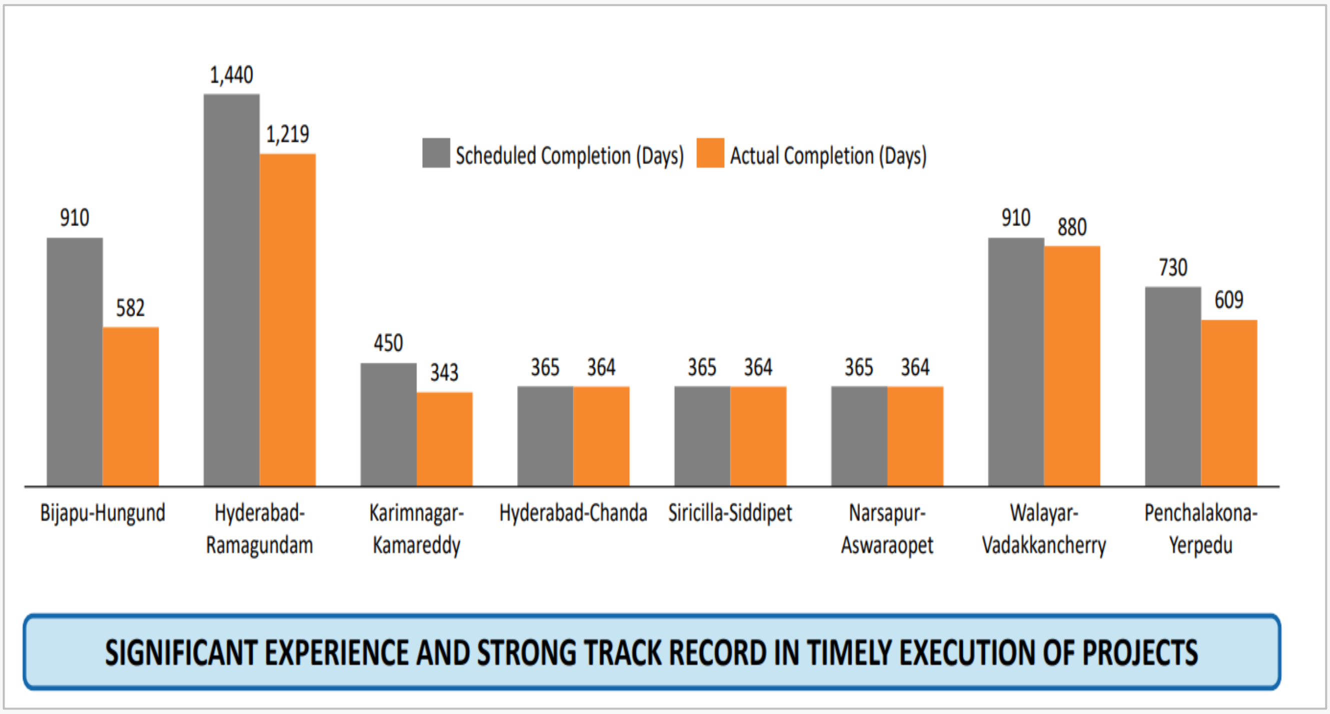
Source: IBEF Report

Strong project execution skills & timely delivery of projects

- **Deep experience and a recognised brand in the construction space:** KNRCL is a leading EPC player in the road sector with over four decades of experience enabling it to successfully scale its operation over the years. The company has made a significant investment in brand building and has emerged as a marquee contractor in the construction space.
- **Efficient project execution:** Top management as well as the company's team of qualified professionals actively involved at all stages of project execution from a selection of major raw materials to construction camp locations. The company has proactively invested to acquire the necessary construction equipment to achieve efficient project execution over the years. This has enabled it to deliver projects on and before time and achieve competitive delivery times in the industry. Leveraging its established market position and strong execution prowess, the company has successfully executed over 6,000 Km of road projects to date.
- **Well-nurtured marquee clientele:** Owing to its pan-India execution prowess, the company has been able to garner many large and marquee clients over the years including NHAI, MORTH, APRDCL, KRDCL, MPRDCL, AP irrigation, Telengana irrigation, and NMDC, among others. The company continues to receive orders from these clients owing to its quality work and strict adherence to project delivery timelines. The company has executed 75 projects on a pan-India basis worth over Rs 10,000 Cr.
- **Satisfactory revenue growth:** The company's revenue has grown at a 15% CAGR over FY17-FY21 to Rs 2,702 Cr in FY21 from Rs 1,541 Cr in FY17. Its EBITDA margins, too, have grown to 20% in FY21 from 15% in FY17.

The company's robust order book and execution prowess has enabled it to grow its business on consistent basis.

Exhibit 14: Scheduled and Actual projects completion days



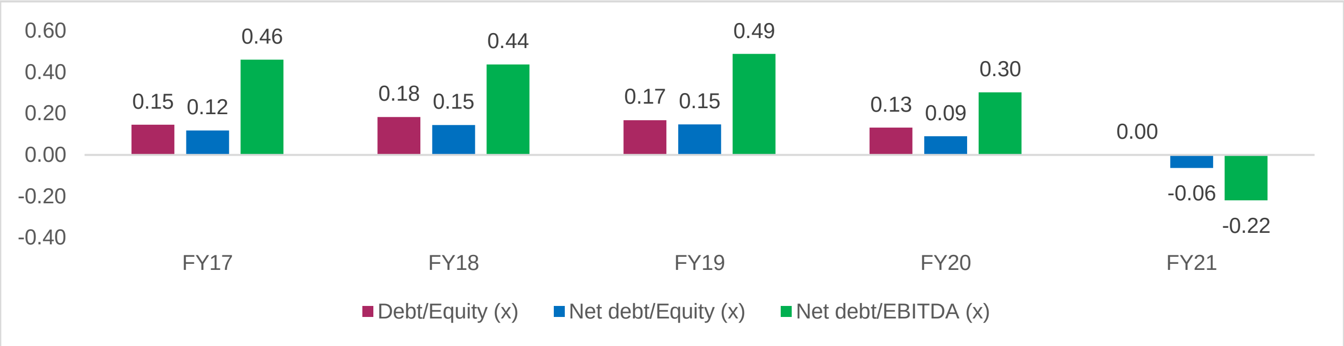
Source: Company, Axis Securities

Healthy financials to support future growth

Strong financial lends support for the future growth

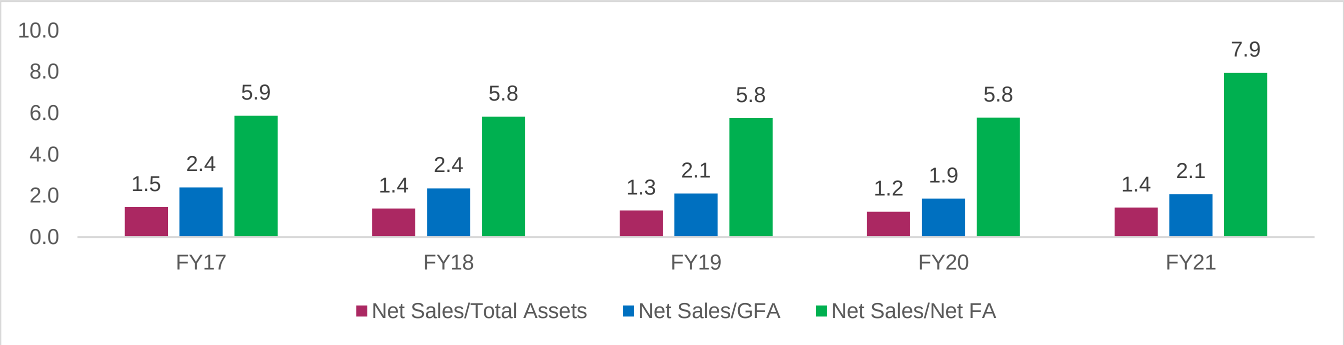
- The company exhibits a strong financial position. During FY17-FY21 the company's Revenue/EBITDA/APAT has grown at a CAGR of 15%/24%/12% resulting in steady accretion of the reserve as well as strengthening the company's net worth (grown at a CAGR of 20% during this period). It reported healthy sales growth of 20% with strong EBITDA margins at 19.8% in FY21. The company is virtually debt-free and its lean balance sheet, better operating ratio, and high return ratios are an indication of its excellent long term performance in the highly competitive construction space.
- The company is also progressing well towards asset monetization of its road projects. In FY20, it completed the sale of its KNR Walayar Tollways to Cube Highways & Infrastructure III Pte Ltd for Rs 384 Cr. The majority of the amount has been received and used towards repayment of the loan. Furthermore, it has also entered into SPA (Share Purchase Agreement) for three of its HAM projects with Cube Highways and Infrastructure to remain asset-light. The sale proceeds (Rs 321 Cr) from this arrangement is expected to be realized in the near future and can be used to meet the equity requirement of HAM projects going forward.
- Deleveraging through the sale of the above assets is expected to help KNRC sustain future growth while maintaining its financial profile. We believe that with its strong financial position, the company is well-placed to bid for more projects enabling it to maintain its elevated growth pace.

Exhibit 15: Leverage Ratio



Source: Company, Axis Securities

Exhibit 16: Efficiency Ratio



Source: Company, Axis Securities

Outlook & Valuation

The company's outlook over FY22E-24E continues to be robust in light of high order book with 2-3 years of revenue visibility, better traction in road projects, favourable industry tailwind and the company's strong track record of high-quality and timely execution of projects. These factors will ensure higher revenue growth for the company going forward. We expect the company to report Revenue/EBITDA/APAT CAGR of 18%/17%/30% over FY21-FY24E. We initiate coverage on KNRCL with a BUY recommendation and value its EPC business at 17.5x FY24E EPS and HAM portfolio at 1x book value to arrive at a Target Price of Rs 360/share. TP implies an upside of 17% from CMP.

High order book, better execution and favorable industry tailwind to drive overall growth for the company.

Exhibit 17: FWD PE BAND (x)

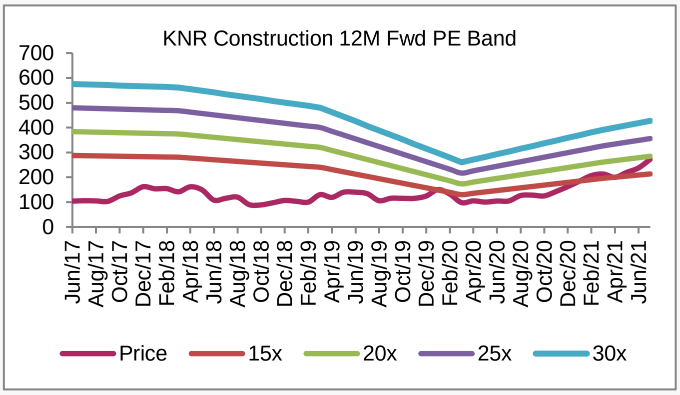
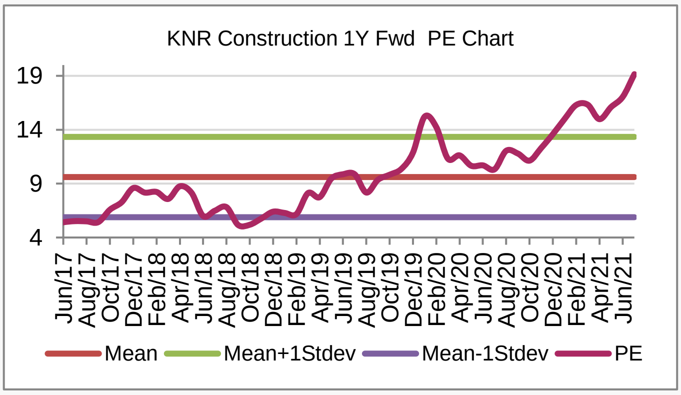


Exhibit 18: FWD PE CHART (x)



Source: Company, Axis Securities

Management Profile

Key Management Personnel	Experience
Mr. K Narasimha Reddy Founder Promoter & Managing Director	Over 50 years of experience in the Highway sector, he started his career in 1968 and engaged in the business of undertaking civil and mechanical contracts. Extensive knowledge and experience in multi-project planning, Scheduling cost controls in addition to the overall construction and multi-project management & driving force in taking the company towards greater heights
Mr. K Jalandhar Reddy Promoter and Executive Director	Over 25 years of experience in the Highway and infrastructure sector. Started his career with the organization as a Project Manager and was elevated to Executive Director on April 1, 1997. Heads the tendering and bidding activities and oversees most of the project
Mr. T L Verma SVP-Projects	A Bachelor of Engineering (BE) from MITS Gwalior (MP) with Over 35 years of total experience with ~20 years of experience in the Highway sector. Working with the company since 2006 on various projects i.e. Bridges and Highways, including the construction of Concrete Roads
Mr. S Vaikuntanathan (Vice President - Finance)	A Fellow Member of the Institute of Chartered Accountants of India with 39 years of experience in the areas of finance, accountancy and taxation. He Has the overall responsibility for the finalization of corporate accounts, taxation, finance and related jobs
Mr. V. Narasimha Ramana (Sr. Vice President - Technical)	M. Tech in Civil Engineering from IIT Madras with over 30 years of rich experience in various Highway Projects connected with MORTH & NHAI. Actively involved all the verticals of highway and bridge project

Source: Company, Axis Securities

Key Risk & Mitigation

- **Slowdown in the road sector:** The company is a prominent player in the road sector which contributes 73% of the company's current order book. Any slowdown or delays in awarding road projects by the government may adversely affect the company's growth prospects.
- **Risk Mitigation:** Currently, the government is judiciously focused on ensuring that infrastructure development is moving at an accelerated pace, thus reducing the possibility of this risk to a considerable extent. Moreover, the company already has a sufficient order backlog to ensure growth momentum in the medium term.
- **Raw materials price risk**: Key raw material prices such as cement and steel constantly fluctuates due to demand-supply dynamics which may lead to a rise in input cost and, in turn, put pressure on the company's margins and profitability. Furthermore, the unavailability of key raw materials over the tenor of the contract can impact the schedules and profit margins of the company.
- **Risk Mitigation:** The company enters into a long-term arrangement with suppliers for requisite raw materials for the tenure of the project, thus guaranteeing a continuous and reliable supply of RM in adequate quantity. Also, leveraging its industry experience, it closely monitors the availability of raw materials, thereby keeping a cost escalation risk to the minimum.
- **Construction Risk:** Infrastructure projects involve complex design and engineering, significant procurement of equipment and supplies, extensive construction management, and other activities conducted over extended periods, sometimes in remote locations. This could lead to cost and time overruns, thereby impacting its profitability.
- **Risk Mitigation:** KNR with its vast experience in project management, balanced and robust capital structure, and stringent cost control measures, is well-geared to mitigate this risk. Furthermore, in-house specialized construction equipment reduces dependence on external sources as well as helps the company in expediting execution and sustaining margins.

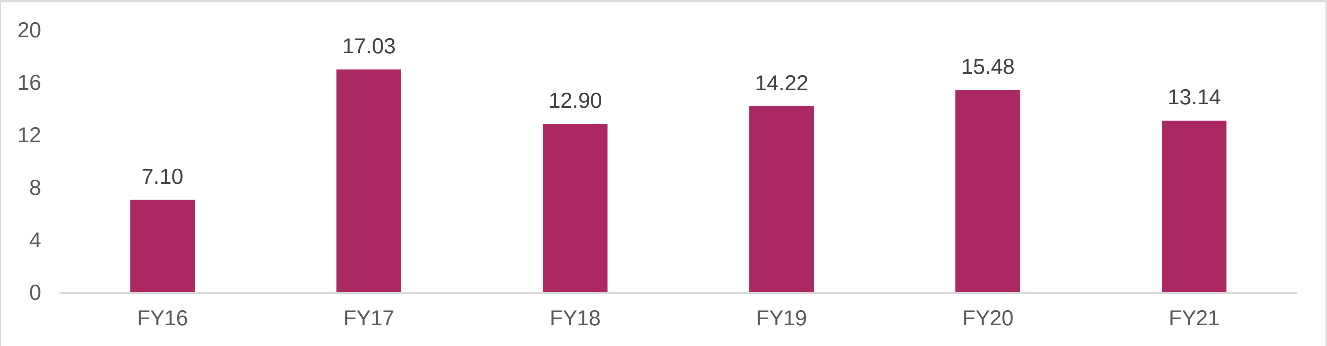
The company is exposed to different kind of risks. The management remains cautious and vigilant to mitigate these risks.

Industry Overview

Overall outlook for construction industry is robust on the back of high government spending. We expect industry to grow at a CAGR of 6% over FY20-FY25

- The Indian construction industry is the engine of the Indian economy and is responsible for propelling the country's overall development as good infrastructure is the basis for all other projects. In light of its crucial role, the Indian government spends ~9% of India's GDP on Infrastructure services comprising construction of power, bridges, dams, roads, and urban infrastructure development which also forms the base and supporting factor for other services sectors.
- There are mainly three segments in the construction industry viz. Real Estate construction includes residential and commercial construction, infrastructure building (including roads, railways, power) and industrial construction that consists of oil & gas refineries, pipelines, and textiles, etc
- India is expected to become the third-largest construction market globally by 2022. Large investments in infrastructure have provided momentum to the overall PE (Private Equity) and VC (Venture Capital) investments in India which recorded an all-time high investment of $14.5 Bn in CY19. The country plans to spend $1.4 Tn on infrastructure in the next five years.
- The National Infrastructure Pipeline (NIP) has a mission to improve project preparation and attract investments into infrastructure. The aim is to provide world-class infrastructure to Indian citizens, thereby improving their quality of life. The NIP will support and encourage even more infrastructure projects and create jobs. It makes use of the latest technology to enhance service standards, efficiency, and safety across the Indian construction industry. The idea is to improve citizens' ease of living and provide equitable access to infrastructure, thus, making growth more inclusive.
- While the Covid-19 pandemic has hampered short-term growth in the Indian construction industry, exciting opportunities for infrastructure investment and development in India will be available to market players as the economy resurges. The Indian government plans to invest ~$1.4 Tn on the country's infrastructure across major sectors of the construction industry, creating massive opportunities for both national and international stakeholders.

Exhibit 19: Outlays for road under respective Union Budget (US$billion)



Source: IBEF Report

KNR Constructions Price Chart and Recommendation History

Date	Reco	TP	Research
27-Aug-21	Buy	360	Initiating Coverage

Source: Axis Securities

Financials (Standalone)

Profit & Loss (Rs crores)

Y/E March	FY21	FY22E	FY23E	FY24E
Net sales	**2703**	**3400**	**4012**	**4413**
Other operating income	0	0	0	0
Total income	2703	3400	4012	4413
Cost of materials consumed	926	1225	1384	1509
Contribution (%)	*65.7%*	*64.0%*	*65.5%*	*65.8%*
Other Expenses	124	154	189	205
Operating Profit	**1,652**	**2,021**	**2,439**	**2,699**
Other income	50	58	68	75
PBIDT	**1,702**	**2,079**	**2,507**	**2,774**
Depreciation	144	124	169	184
Interest & Fin Chg.	49	33	20	22
Pre-tax profit	**1,509**	**1,921**	**2,319**	**2,567**
Tax provision	137	166	155	180
PAT	**244**	**367**	**466**	**540**

Source: Company, Axis Securities

Balance Sheet (Rs crores)

Y/E March	FY21	FY22E	FY23E	FY24E
Total assets	**1,888**	**2,256**	**2,722**	**3,262**
Net Block	338	363	345	310
CWIP	2	2	2	2
Investments	490	740	1090	1490
Wkg. cap. (excl cash)	622	460	569	645
Cash / Bank balance	117	372	397	490
Other assets	319	319	319	324
Capital employed	**1,888**	**2,256**	**2,722**	**3,262**
Equity capital	56	56	56	56
Reserves	1812	2179	2645	3185
Minority Interests	0	0	0	0
Borrowings	1	1	1	1
Other Liabilities	20	20	20	20

Source: Company, Axis Securities

Cash Flow (Rs crores)

Y/E March	FY21	FY22E	FY23E	FY24E
Profit before tax	381	534	622	720
Depreciation	144	124	169	184
Interest Expenses	43	33	20	22
Non-operating/ EO item	-200	163	-109	-76
Change in W/C	9	0	0	0
Income Tax	-79	-166	-155	-180
Operating Cash Flow	**298**	**688**	**546**	**671**
Capital Expenditure	-96	-150	-150	-150
Investments	142	-250	-350	-400
Others	18	0	0	0
Investing Cash Flow	**65**	**(400)**	**(500)**	**(550)**
Borrowings	245	0	0	0
Interest Expenses	-46	-33	-20	-22
Dividend paid	0	0	0	0
Others	-474	0	0	0
Financing Cash Flow	**(275)**	**(33)**	**(20)**	**(22)**
Change in Cash	**88**	**254**	**26**	**99**
Opening Cash	20	108	363	388
Closing Cash	**108**	**363**	**388**	**487**

Source: Company, Axis Securities

Ratio Analysis (%)

Y/E March	FY21	FY22E	FY23E	FY24E
Growth Indicator				
Sales Growth	20%	26%	18%	10%
Ebitda Growth	19%	22%	21%	11%
PAT Growth	8%	50%	27%	16%
PROFITABILITY RATIOS				
EBITDA Margin	19.8%	18.6%	18.5%	19.3%
Adjusted net margin	9.0%	10.8%	11.6%	12.2%
EFFICIENCY RATIOS (x)				
Total Asset Turnover	1.43	1.51	1.47	1.35
Fixed Asset Turnover	7.9	9.3	11.6	14.1
Debtor days	117	80	80	80
Inventory days	25	24	24	25
Payable days	40	42	42	42
Cash Conversion Cycle (days)	101	62	62	63
Leverage ratios				
Debt to equity	0.00	0.00	0.00	0.00
Net debt to equity	-0.06	-0.17	-0.15	-0.15
Interest coverage	11	19	37	39
PER SHARE DATA				
Diluted EPS (Rs)	8.7	13.1	16.6	19.2
Book value per share (Rs)	66	79	96	115
DPS (Rs)	0.0	0.0	0.0	0.0
Return Ratios				
Return on equity	14%	18%	19%	18%
Return on capital employed	24%	27%	26%	25%
VALUATION RATIOS				
P/E	25	23	18	16
P/BV	3.2	3.7	3.1	2.6
EV/EBITDA	11.2	13.2	11.3	9.8

Source: Company, Axis Securities

About the analyst

Analyst: Uttam Kumar Srimal

Email: uttamkumar.srimal@axissecurities.in

Sector: Cement/Infra

Analyst Bio: Uttam K Srimal is PGDBF from NMIMS with 20 years of experience in Equity Market/Research.

About the analyst

Analyst: Shikha Doshi

Email: shikha.doshi@axissecurities.in

Sector: Cement/Infra

Analyst Bio: Shikha Doshi is Master of Science in Finance from Illinois Institute of Technology, Chicago.

Currently handling Cement/Infra sector.

Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

1. Axis Securities Ltd. (ASL) is a SEBI Registered Research Analyst having registration no. INH000000297. ASL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. ASL is a subsidiary company of Axis Bank Ltd. Axis Bank Ltd. is a listed public company and one of India's largest private sector bank and has its various subsidiaries engaged in businesses of Asset management, NBFC, Merchant Banking, Trusteeship, Venture Capital, Stock Broking, the details in respect of which are available on www.axisbank.com.
2. ASL is registered with the Securities & Exchange Board of India (SEBI) for its stock broking & Depository participant business activities and with the Association of Mutual Funds of India (AMFI) for distribution of financial products and also registered with IRDA as a corporate agent for insurance business activity.
3. ASL has no material adverse disciplinary history as on the date of publication of this report.
4. I/We, Uttam Srimal, MBA-Finance, author/s and the name/s subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We (Research Analyst) also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or ASL does not have any financial interest in the subject company. Also I/we or my/our relative or ASL or its Associates may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Since associates of ASL are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report. I/we or my/our relative or ASL or its associate does not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company in the last 12-month period.Any holding in stock – No
5. 5. ASL has not received any compensation from the subject company in the past twelve months. ASL has not been engaged in market making activity for the subject company.
6. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, ASL or any of its associates may have:

Received compensation for investment banking, merchant banking or stock broking services or for any other services from the subject company of this research report and / or;

Managed or co-managed public offering of the securities from the subject company of this research report and / or;

Received compensation for products or services other than investment banking, merchant banking or stock broking services from the subject company of this research report;

ASL or any of its associates have not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

Term& Conditions:

This report has been prepared by ASL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ASL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ASL will not treat recipients as customers by virtue of their receiving this report.

DEFINITION OF RATINGS	
Ratings	**Expected absolute returns over 12-18 months**
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning valuation and recommendation
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward looking estimates, valuation or recommendation for the stock

Disclaimer:

Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to the recipient's specific circumstances. The securities and strategies discussed and opinions expressed, if any, in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

This report may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Certain transactions, including those involving futures, options and other derivatives as well as non-investment grade securities involve substantial risk and are not suitable for all investors. ASL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc. Past performance is not necessarily a guide to future performance. Investors are advice necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ASL and its affiliated companies, their directors and employees may; (a) from time to time, have long or short position(s) in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities or earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or investment banker, lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting this document.

ASL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that ASL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ASL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. The Research reports are also available & published on AxisDirect website.

Neither this report nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ASL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The Company reserves the right to make modifications and alternations to this document as may be required from time to time without any prior notice. The views expressed are those of the analyst(s) and the Company may or may not subscribe to all the views expressed therein.

Axis Securities Limited, Dealing office: 1st Floor, I-Rise Building, Q Parc, Loma Park, Thane, Ghansoli, Navi Mumbai-400701, Regd. off.- Axis House,8th Floor, Wadia International Centre, Pandurang Budhkar Marg, Worli, Mumbai – 400 025. Compliance Officer: Anand Shaha, Email: compliance.officer@axisdirect.in, Tel No: 022-49212706