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INFRASTRUCTURE SECTOR IN INDIA

Indian Infrastructure caters to top decision-makers & financial managers in power, telecom, roads, construction, oil & gas, ports, aviation, railways, urban infrastructure, and finance sectors

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ASHOKA BUILDCON LTD

CMP (RS): 183
BUY RANGE: 175-183
TARGET PRICE: 238
UPSIDE: 30%

KNR CONSTRUCTION

CMP (RS): 283
BUY RANGE: 275-285
TARGET PRICE: 350
UPSIDE: 23%

H.G. INFRA ENGINEERING LTD

CMP (RS): 960
BUY RANGE: 950-960
TARGET PRICE: 1210
UPSIDE: 26%

Company Name: Ashoka Buildcon Ltd

BSE CODE: 533271 NSE CODE: ASHOKA

Sector: Infrastrcture Industry: Engineering - Turnkey Services

CMP (Rs): 183 | Buy Range: 175-183 | Target Price: 238 | Upside: 30%

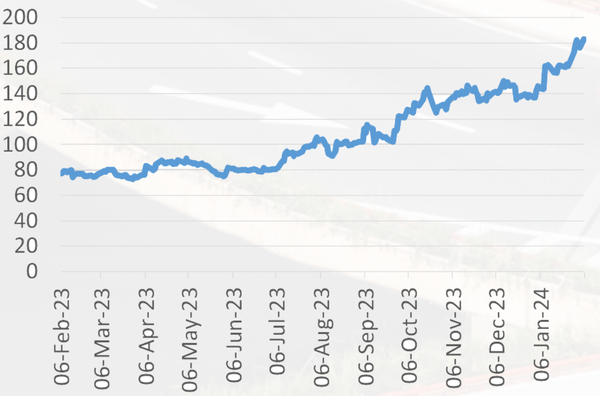
Duration of Recommendation: 8- 12 months

Company Data	
Market Cap (Rs Cr)	5,134
Enterprise value (Rs Cr)	7,036
52-Week High/Low (Rs)	182/71.3
EPS (TTM) (Rs)	12.60
P/E Ratio (x)	14
Industry PE (x)	47.4
EV/EBITDA (x)	3.18
P/PB (x)	2.57

Shareholding %	Q1FY23	Q2FY24	Q3FY24
Promoters	54.48	54.48	54.48
FII's	2.40	2.97	4.51
DII's	18.64	19.96	19.72
Public	24.48	22.60	21.28
Govt	-	-	-
Total	100.0	100.0	100.0
Pledged	0.00	0.00	0.00

Financial Performance (Standalone)			
INR (Cr)	FY23	FY24E	FY25E
Revenue	6,372	7,245	8,243
Growth (%)	*39.0%*	*13.7%*	*13.8%*
EBITDA	534	583	846
EBITDA growth	*1.0%*	*9.2%*	*45.1%*
EBITDA margin	*8.4%*	*8.0%*	*10.3%*
Net Profit	322	314	486
Profit growth	*10.4%*	*-2.4%*	*54.8%*
Profit margins	*5.1%*	*4.3%*	*5.9%*
Adj. EPS	11.5	11.2	17.3
BVPS	120.0	138.0	158.8
P/E (x)	6.5	16.0	10.4
P/BV(x)	0.6	1.3	1.1
ROE (%)	10.6%	9.0%	14.0%
RoCE	10.5%	10.0%	14.0%
EV/EBITDA(x)	9.90	9.30	5.90

Price Performance



Our Recommendation: Company performed very well in recent quarters with consolidated revenue/EBITDA/PAT up by 19%/28.5%/80%. Company's order book looks solid and continues to grow, rose 18% CAGR in last 5 years. Increasing Govt's Capex for infrastructure development may give tailwinds & Ashoka Buildcon is well positioned to capture a big chunk out of it. **We recommend BUY in price range of 175-183 with target price of 238 (based on 1.5x FY25E book value) with upside 30%.**

Ashoka Buildcon is a leading player in civil construction, specializing in building and operating roads and bridges in India through the BOT (Build, Operating, & Transfer) model. They manage numerous toll-based BOT projects and offer services such as engineering, design, procurement, and construction of various structures. Their diverse business activities include BOT, sales of goods, and construction-related services.

Buisness Outlook:

- Road EPC & BOT & HAM: Builds road projects either directly or through subsidiary.
- Building segment: Builds commercial buildings and office spaces.
- Railway segment: Construction of civil, track laying, & electrification work.
- City gas distribution segment: Development of City gas distribution in Maharashtra and Karnataka regions.
- Power EPC segment: EPC of power transmission & distribution and solar projects throughout India.

Robust Order Book: Company hold strong order book worth Rs. 17,566 crores as of Sep 23 which has grown 18% CAGR from March 2020 from Rs. 8981 crores. Current balance order book for Road EPC and Road HAM is worth Rs. 5802 crores and 1544 crores.

Q2FY24 Results:

- Consolidated revenue up by 19% YoY to ₹ 2154 Cr from ₹ 1808 Cr.
- EBITDA up by 28.47% YoY to ₹ 546 Cr from ₹425 cr with 100 bps improvements in margins.
- Net Profit increased by 80% YoY to ₹ 119 Cr from ₹ 66 Cr.
- On QoQ basis Revenue, EBITDA, Net Profit increased by 11.3%/10%/65%

Key Risks:

- Regulatory & environmental hurdles can dealy project execution.
- High metal and crude oil costs can impact margins.

Share India Research
5 Feb, 2024
Equity Fundamental

Company Name: H.G. Infra Engineering Ltd

BSE CODE: 541019 | NSE CODE: HGINFRA
Sector: Infrastrcture Developer | Industry: Construction

CMP (Rs): 960 | Buy Range: 950-960 | Target Price: 1210 | Upside: 26%

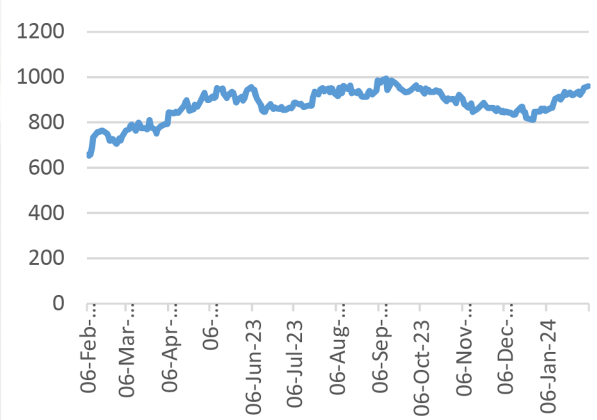
Duration of Recommendation: 8- 12 months

Company Data	
Market Cap (Rs Cr)	6,254
Enterprise value (Rs Cr)	7,578
52-Week High/Low (Rs)	1019/634
EPS (TTM) (Rs)	79.70
P/E Ratio (x)	12.3
Industry PE (x)	17.1
EV/EBITDA (x)	7.24
P/PB (x)	2.84

Shareholding %	Q1FY23	Q2FY24	Q3FY24
Promoters	74.53	74.53	74.53
FII's	1.59	1.67	1.56
DII's	13.14	13.05	12.45
Public	10.73	10.74	11.47
Govt	-	-	-
Total	100.0	100.0	100.0
Pledged	0.00	0.00	0.00

Financial Performance (Standalone)			
INR (Cr)	FY23	FY24E	FY25E
Revenue	4,419	5,303	6,098
Growth (%)	*22.2%*	*20.0%*	*15.0%*
EBITDA	710	795	871
EBITDA growth	*21.1%*	*12.0%*	*9.6%*
EBITDA margin	*16.1%*	*15.0%*	*14.3%*
Net Profit	421	454	493
Profit growth	*10.4%*	*7.8%*	*8.6%*
Profit margins	*9.5%*	*8.6%*	*8.1%*
Adj. EPS	64.7	69.7	75.7
BVPS	272.8	355.0	460.0
P/E (x)	12.2	13.7	12.6
P/BV(x)	2.9	2.7	2.1
ROE (%)	26.8%	22.8%	19.5%
RoCE	26.8%	25.0%	25.0%
EV/EBITDA(x)	8.50	7.50	6.80

Price Performance



Our Recommendation: Company presented good set of numbers in Q3FY24 results where Revenue/EBITDA were +19%/+13% YoY & +55%/+55% QoQ. Company's order book looks solid & diversified, worth Rs. 10,700 crores. Increasing Govt's Capex for infrastructure development may give tailwinds to the sector & H.G. Infra is well positioned to capture a big share. **We recommend BUY in price range of 950-960 with target price of 1210 (based on 2.6x FY25E book value) with upside 26%.**

H.G. Infra Engineering Ltd. is an Indian Road Infrastructure Company engaged in roads, highways, bridges construction and has entered adjacent construction arena like water resources, railways and metro projects.

Buisness Outlook:

- **Segments:** Company engages in EPC (Engineering, procurement, and construction) & HAM (Hybrid Annuity Model).
- **Customer Base:** National Highways Authority of India, Ministry of Road Transport and Highways, IRB Infrastructure Developers Limited, Tata Projects Limited, Adani Road Transport Limited.
- **Revenue by client type:** Govt 69% & Private 31%.
- **Revenue by project type:** EPC 55%, HAM 55%.
- **Revenue by Geography:** Successful diversification across states – UP 35%, Jharkhand 15%, Odisha 11%, Telengana 9%, Delhi 8%, Haryana 7%, Karnataka 6%, HP 4%, AP 4%, Maharastra 1%, Rajasthan 1%.

Well diversified Order Book: In first half of current fiscal, company has order book worth 10,700 crores, which account for 70% from Govt's projects and 30% from private companies. This order book is scheduled to be fulfilled within 3 years resulting in increased revenues in 2024 to 2026.

Q3FY24 Results (Standalone):

- Revenue up by 19% YoY to ₹ 1346 Cr from ₹ 1131 Cr.
- EBITDA up by 13.2% YoY to ₹ 214 Cr from ₹189 cr with 100 bps contraction in margins.
- Net Profit up by 84% YoY to ₹ 205 Cr from ₹ 111 Cr due to gain from selling of stakes in 4 of its wholly owned subsidiaries.
- On QoQ basis Revenue/EBITDA/Net Profit increased by 54.8%/55%/230% respectively on account of stake selling.

Key Risks:

- Regulatory & environmental hurdles can dealy project execution.
- High metal and crude oil costs can impact margins.

Company Name: KNR Construction

BSE CODE: 532942 NSE CODE: KNRCON
Sector: Infrastrcture Developer Industry: Construction

CMP (Rs): 283 | Buy Range: 275-285 | Target Price: 350 | Upside: 23%

Duration of Recommendation: 8- 12 months

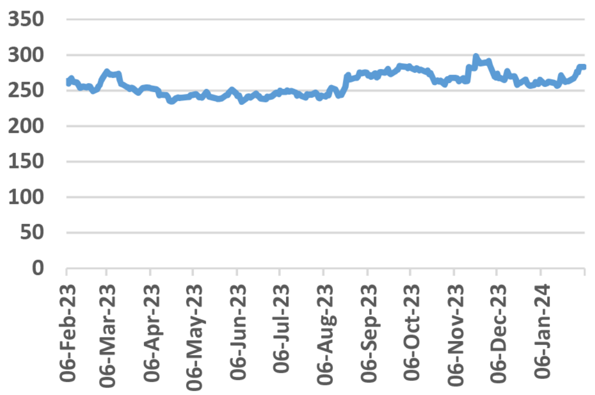
Company Data	
Market Cap (Rs Cr)	7,965
Enterprise value (Rs Cr)	8,660
52-Week High/Low (Rs)	306/226
EPS (TTM) (Rs)	19.10
P/E Ratio (x)	16.2
Industry PE (x)	29.5
EV/EBITDA (x)	9.42
P/PB (x)	2.60

Shareholding %	Q1FY23	Q2FY24	Q3FY24
Promoters	51.09	51.09	51.09
FII's	5.98	6.61	7.57
DII's	33.66	32.27	29.32
Public	9.28	10.03	12.01
Govt	-	-	-
Total	100.0	100.0	100.0
Pledged	0.00	0.00	0.00

Financial Performance (Standalone)

INR (Cr)	FY23	FY24E	FY25E
Revenue	3,744	4,061	4,442
Growth (%)	*14.4%*	*8.5%*	*9.4%*
EBITDA	722	736	792
EBITDA growth	*6.0%*	*1.9%*	*7.7%*
EBITDA margin	*19.3%*	*18.1%*	*17.8%*
Net Profit	499	462	510
Profit growth	*10.4%*	*-7.4%*	*10.4%*
Profit margins	*13.3%*	*11.4%*	*11.5%*
EPS	17.7	16.4	18.1
BVPS	97.2	114.7	135.4
P/E (x)	14.3	17.3	15.7
P/BV(x)	2.6	2.5	2.1
ROE (%)	20.0%	15.7%	14.7%
RoCE	21.0%	22.0%	21.0%
EV/EBITDA(x)	9.60	9.90	8.70

Price Performance



Our Recommendation: The company's order book is ₹ 7,453 Crores, including recent wins, ensuring revenue visibility for the next two years. In addition to NHAI projects, it is actively bidding for state government road projects, expecting an order inflow of ₹ 3,000-4,000 Crores in FY24 for a healthy order book. We expect revenue may grow at a CAGR of 13-14% over FY22-FY25E. **We recommend BUY in price range of 275-285 with target price of 350 (based on 2.6x FY25E book value) with upside 23%.**

KNR construction is engaged in the construction of roads, highways, bridges and flyovers on EPC, BOT and Hybrid Annuity Model (HAM) basis. Company also engages in irrigation projects, urban water infrastructure management and agriculture projects.

Buisness Outlook:

- **Segments:** Company engages in EPC (Engineering, procurement, and construction) & HAM (Hybrid Annuity Model).
- **Customer Base:** National Highways Authority of India, Ministry of Road Transport and Highways, APRDC, HGCL, KSHIP, KRDCL, NMDC, Engineers India, UPSHA, Teangana Irrigation Department etc.
- **Order Book:** Total order book worth Rs. 7,453.2 crore as of September 2023. Project type - HAM 58%, EPC 42%. Segment wise split - Roads (HAM) 58%, Roads others 21%, irrigation 21%.

Increasing Order Book: In first half of current fiscal, company has order book worth 5673.2 crores & new orders worth 1780 crores, which translates into Rs. 7453 cores in total. 100% orders coming from souther region.

Q2FY24 Results:

- Standalone revenue up by 11.1% YoY to ₹ 941 Cr from ₹ 847 Cr.
- EBITDA decreased by 11.9% YoY to ₹ 166 Cr from ₹189 cr with 462 bps decrease in margins.
- Net Profit decreased by 7.2% YoY to ₹ 100 Cr from ₹ 108 Cr.
- On QoQ basis Revenue, EBITDA, Net Profit were +1.3%/-4%/-9% respectively.

Key Risks:

- Decrease in project awarding & delay in execution may impact revenue.
- Higher input costs can impact margins.

Disclosure:
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