

HSIE Results Daily

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Result Review

- **Sadbhav Engineering:** We maintain BUY with revised TP of Rs 62 (vs Rs 56 earlier). With proceeds from assets transferred to Indinfravit, SADE has improved net D/E to 0.53x vs 0.75x in FY19. Company has also planned for monetizing HAM assets under ROFO with Indinfravit. However, working capital still remains stretched. Further improvement in balance sheet and pick-up in execution will lead to re-rating. We trim our FY21 estimate by 1.3% and maintain BUY.

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Sadbhav Engineering

Back-ended recovery

We maintain BUY with revised TP of Rs 62 (vs Rs 56 earlier). With proceeds from assets transferred to Indinfravit, SADE has improved net D/E to 0.53x vs 0.75x in FY19. Company has also planned for monetizing HAM assets under ROFO with Indinfravit. However, working capital still remains stretched. Further improvement in balance sheet and pick-up in execution will lead to re-rating. We trim our FY21 estimate by 1.3% and maintain BUY.

- 4QFY20:** SADE reported 4QFY20 revenue of Rs 4.1bn, which is a 60% YoY decline and has missed our estimate by 13%. However, EBITDA margin remained stable at 12.5%. Adjusting for Rs 170mn of exceptional gain on asset transfer to Indinfravit, SADE posted loss of Rs 88mn for the quarter.
- Execution to pick up by Sept'20:** Labor availability is 60% at the company level and execution run rate stands at Rs 50mn/day. Company expects labor availability to improve to 80-90% by Sept'20, which will help revenue run rate to improve to Rs 100mn/day. We build in revenue of Rs 24bn for FY21E.
- Bidding prospects:** SADE has submitted bids for four NHAI projects valued at Rs 34bn for which bids will open in the next couple of weeks. Company has also bid for a metro project of Rs 4.7bn in Ahmedabad. Besides, management is looking to bid for irrigation projects. In all, SADE is looking to win Rs 20-30bn of awards in FY21. We remain cautious and build in order inflow of Rs 18bn for FY21.
- Balance sheet:** Standalone gross debt reduced Rs 12.4bn at FY20 end vs Rs 15.9bn in FY19 on the back of proceeds from SIPL deal. Net debt stood at Rs 11.2bn vs Rs 15.3bn in FY19. Subsequently, net D/E reduced to a 10-year low of 0.53x as on FY20. Net debt includes SIPL's Rs 3.5bn loans and if this is removed, net D/E would be 0.37x. SADE plans to invest Rs 2.2bn equity in HAM projects and capex of Rs 250mn in FY21E.

Quarterly/Annual Financial summary

Year Ending March	4Q		YoY (%)	3Q		QoQ (%)	FY19	FY20E	FY21E	FY21E
	FY20	FY19		FY20	FY19					
Net Sales	4,089	10,217	(60.0)	4,400	(7.1)	35,493	22,517	24,023	29,295	
EBITDA	504	1,268	(60.2)	548	(8.0)	4,281	2,795	2,722	3,662	
APAT	(88)	290	(130.5)	117	(175.8)	1,863	681	681	1,229	
Diluted EPS (Rs)	(0.5)	1.7	(130.5)	0.7	(175.8)	10.9	4.0	4.0	7.2	
P/E (x)						2.4	6.5	6.5	3.6	
EV / EBITDA (x)						4.6	5.6	5.0	3.4	
RoE (%)						9.2	3.2	3.2	5.5	

Source: Company, HSIE Research, Standalone financials

Estimate change summary

Particulars	FY21E			FY22E		
	New	Old	% Change	New	Old	% Change
Revenues (Rs mn)	24,023	24,023	(0.0)	29,295	29,301	(0.0)
EBITDA (Rs mn)	2,722	2,722	(0.0)	3,662	3,663	(0.0)
Margins (%)	11.3	11.3	2.9	12.5	12.5	-
APAT (Rs mn)	681	690	(1.3)	1,229	1,229	(0.0)

Source: Company, HSIE Research

BUY

CMP (as on 10 July 2020)	Rs 49
Target Price	Rs 62
NIFTY	10,768

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 56	Rs 62
EPS %	FY21E	FY22E
	(1.3)	(0.0)

KEY STOCK DATA

Bloomberg code	SADE IN
No. of Shares (mn)	172
MCap (Rs bn) / (\$ mn)	8/111
6m avg traded value (Rs mn)	34
52 Week high / low	Rs 196/23

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	94.6	(59.5)	(74.8)
Relative (%)	77.2	(47.5)	(69.7)

SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	46.55	46.81
FIs & Local MFs	24.99	22.75
FPIs	12.20	11.06
Public & Others	16.26	19.38
Pledged Shares	14.11	26.05

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	> 10% Downside return potential

Disclosure:

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