

# Q1FY22 Infra Result Review

Our coverage universe of 8 stocks reported revenue of Rs85.1 bn in Q1FY22, a growth of 57.8% YoY (-25.3% QoQ) due to lower base impacted by covid-19 first wave. Revenue was impacted QoQ as well as the second wave disrupted execution, but not as bad as the first wave. EBITDA grew 57.7% YoY (-26.7% QoQ) to Rs11.5 bn and EBITDA margins was flat YoY (-20 bps QoQ) to 13.5%. APAT witnessed growth of 263.3% YoY (-57.8% QoQ) to Rs4.3 bn in Q1FY22. Tax rate stood at 31.2% vs. 18.2% (Q1FY22). For FY21, DART universe reported de-growth of 1.4%/ 8.6%/ 8.5% in revenue/ EBITDA/ APAT with 110 bps contraction in EBITDA margin to 14.0%.

All the companies reported strong revenue growth in Q1FY22 except DBL's revenue grew just 13.4% YoY. Majority of the growth was led by NCC and HG Infra. On the EBITDA margin front, 5 companies reported margin expansion YoY whereas 3 companies reported contraction, with highest contraction reported by DBL (-269 bps YoY) and highest margin expansion by PSP (+1120 bps YoY). On the APAT front all the companies reported growth except DBL.

Q1FY22 was a strong quarter for the industry considering YoY growth, led by lower base however on QoQ basis the de-growth was above expectations which was impacted by 2<sup>nd</sup> wave of covid (Apr-May'21). Though things are much better now, monsoon will act as another hurdle in Q2FY22 thus slowing down execution. Another grave concern is the 3<sup>rd</sup> wave of covid which if at all comes, that too post monsoon, will hamper Q3FY22 execution. NHAI awarding momentum to continue as they awarded 4,788 kms in FY21 and has set a target to award 4,600 kms for FY22. We expect revenue to be sluggish in H1FY22E and pick up pace in H2FY22E. Healthy order book visibility ranging from 2.4x-4.6x and receiving majority of the appointed date for projects gives us confidence of revenue gradually picking up.

The budget reiterated thrust on infrastructure through higher capital spending to achieve growth. The government has also taken good measures to facilitate the capex with setting up of a dedicated financial institution for infrastructure. It has also allowed for monetization of assets, which can help drive growth of new projects.

## Top Picks

**HGINFRA** - HG has received appointed date for all its projects (except Rs18.4 bn 3 HAM projects & 1 EPC project of Rs12.4 bn) and entire execution benefit will be realized in FY22E. We expect 29.9%/ 18.1% revenue growth for FY22E/ FY23E. We expect revenue/ Adj. PAT CAGR of 23.8%/ 22.7% over FY21-23E. The order book (Rs73.9 bn) provides revenue visibility for 2.4x TTM revenue. HGINFRA won orders worth Rs21.8 bn/ Rs12.4 bn during FY21/ YTD FY22. We maintain our order inflow estimates of Rs50 bn each for FY22E/ FY23E. HG trades at attractive valuation of 14.3x FY22E / 12.0x FY23E EPS. We have a BUY rating with SOTP of Rs695 (12x FY23E EPS) and 1x FY23E P/B for HAM equity investments. **Key Risk - Strong order inflows in FY22E for better execution in FY23E.**

ACIL	
CMP / Target	Rs372/Rs429
DBL	
CMP / Target	Rs511/Rs495
HG Infra	
CMP / Target	Rs584/ Rs695
J Kumar	
CMP/ Target	Rs214/ Rs274
KNR	
CMP / Target	Rs303/ Rs308
NCC	
CMP / Target	Rs81/Rs98
PSP	
CMP / Target	Rs428/Rs568
PNC	
CMP / Target	Rs305/Rs407

\*CMP as on 17 Aug 2021

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**PNC** - We expect strong revenue/ APAT CAGR of 22.8%/ 30.1% over FY21-23E. Post tepid growth in FY21, we factor revenue/ APAT growth of 23.6%/ 35.3% in FY22E and 21.9%/ 25.0% in FY23E driven by robust execution across projects. PNC has robust order book of Rs153.5 bn (2.9x TTM revenue). We factor order inflow of Rs138.0 bn (Rs48.0 bn received)/ Rs80 bn in FY22E/ FY23E. The current core construction valuations of 14.0x FY22E / 11.2x FY23E EPS are attractive. We have a Buy rating with SOTP of Rs407 (14x FY23E EPS and 1x FY23E P/B for HAM and BOT investments).

**PSP** - We expect a 22.5%/ 32.2% revenue/ Adj. PAT CAGR over FY21-23E, with EBITDA margins of 12.1%/ 12.1% for FY22E/ FY23E. PSP won orders worth Rs23.7 bn/ Rs0.8 bn in FY21/ YTD FY22. We maintain our order inflow of Rs20 bn/ Rs25 bn for FY22E/ FY23E. The current order book (Rs38.5 bn) provides revenue visibility for 2.7x TTM revenue. Given its conservative strategy towards leverage and an efficient capital allocation, PSP will continue to remain a net cash company, with negative Net D:E of 0.25x over FY21-23E. PSP will continue to witness superior return ratios (average RoE/ RoCE of 20.9%/ 21.4% over FY21-23E), led by a strong PAT growth in FY22E, well-managed lean balance sheet and efficient working capital management. We have a BUY rating with a TP of Rs568 (14x FY23E EPS).

#### Exhibit 1: Q1FY22 Performance (Standalone) for DART coverage (8 stocks)

Particulars (Rs mn)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	FY20	YoY (%)
<b>Revenue</b>	<b>85,143</b>	<b>53,953</b>	<b>57.8</b>	<b>1,14,050</b>	<b>(25.3)</b>	<b>3,24,140</b>	<b>3,28,756</b>	<b>(1.4)</b>
RM & Const. exp	65,559	40,985	60.0	87,594	(25.2)	2,46,053	2,44,965	0.4
Employees cost	4,086	3,006	35.9	4,166	(1.9)	14,978	16,452	(9.0)
Other expenditure	4,034	2,691	49.9	6,657	(39.4)	17,675	17,655	0.1
<b>Total expenditure</b>	<b>73,679</b>	<b>46,682</b>	<b>57.8</b>	<b>98,417</b>	<b>(25.1)</b>	<b>2,78,706</b>	<b>2,79,073</b>	<b>(0.1)</b>
Construction Exp %	77.0	76.0	103 bps	76.8	20 bps	75.9	74.5	140 bps
Employees Cost %	4.8	5.6	(77 bps)	3.7	115 bps	4.6	5.0	(38 bps)
Other expenditure %	4.7	5.0	(25 bps)	5.8	(110 bps)	5.5	5.4	8 bps
<b>EBITDA</b>	<b>11,464</b>	<b>7,271</b>	<b>57.7</b>	<b>15,633</b>	<b>(26.7)</b>	<b>45,435</b>	<b>49,684</b>	<b>(8.6)</b>
EBITDA %	13.5	13.5	(1 bps)	13.7	(24 bps)	14.0	15.1	(110 bps)
Depreciation	2,721	2,781	(2.2)	2,830	(3.9)	11,222	11,803	(4.9)
<b>Operating profit</b>	<b>8,743</b>	<b>4,490</b>	<b>94.7</b>	<b>12,803</b>	<b>(31.7)</b>	<b>34,213</b>	<b>37,881</b>	<b>(9.7)</b>
Other income	725	869	(16.6)	741	(2.1)	3,493	4,053	(13.8)
<b>EBIT</b>	<b>9,468</b>	<b>5,359</b>	<b>76.7</b>	<b>13,543</b>	<b>(30.1)</b>	<b>37,705</b>	<b>41,933</b>	<b>(10.1)</b>
EBIT %	11.1	9.9	119 bps	11.9	(75 bps)	11.6	12.8	(112 bps)
Interest	3,277	3,526	(7.1)	3,554	(7.8)	13,910	14,920	(6.8)
Exceptional items	-	-	-	-	-	85	(130)	-
<b>EBT</b>	<b>6,191</b>	<b>1,834</b>	<b>237.7</b>	<b>9,989</b>	<b>(38.0)</b>	<b>23,880</b>	<b>26,883</b>	<b>(11.2)</b>
Tax	1,932	333	480.6	3,417	(43.4)	7,460	6,313	18.2
Tax/PBT %	31.2	18.2	1306 bps	34.2	(299 bps)	31.2	23.5	776 bps
<b>Net income</b>	<b>4,259</b>	<b>1,501</b>	<b>183.8</b>	<b>6,573</b>	<b>(35.2)</b>	<b>16,419</b>	<b>20,570</b>	<b>(20.2)</b>
Adjustments	30	(320)	-	193	0.0	13	(2,617)	-
<b>Adjusted Net income</b>	<b>4,289</b>	<b>1,181</b>	<b>263.3</b>	<b>6,766</b>	<b>(36.6)</b>	<b>16,432</b>	<b>17,952</b>	<b>(8.5)</b>
NPM %	5.0	2.2	285 bps	5.9	(89 bps)	5.1	5.5	(39 bps)

Source: Company, DART

**Exhibit 2: Revenue grew 57.8% YoY (-25.3% QoQ) for DART coverage**

(Rs mn)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	YoY (%)
Ahluwalia Contracts	5,801	2,498	132.2	7,617	(23.8)	19,822	5.2
Dilip Buildcon	21,463	18,920	13.4	29,250	(26.6)	92,089	2.5
J Kumar Infraprojects	6,751	2,853	136.7	9,920	(31.9)	25,708	(13.5)
HG Infra	9,117	2,979	206.0	10,278	(11.3)	25,275	15.1
KNR Constructions	7,400	4,794	54.4	9,358	(20.9)	27,026	20.4
NCC	18,926	11,788	60.6	26,177	(27.7)	72,557	(11.7)
PNC Infratech	12,512	9,053	38.2	16,443	(23.9)	49,254	1.0
PSP Projects	3,174	1,069	196.9	5,007	(36.6)	12,409	(17.2)
<b>Total</b>	<b>85,143</b>	<b>53,953</b>	<b>57.8</b>	<b>1,14,050</b>	<b>(25.3)</b>	<b>3,24,140</b>	<b>(1.4)</b>

Source: DART, Company

**Exhibit 3: EBITDA grew 57.7% YoY (-26.7% QoQ) for DART coverage**

(Rs mn)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	YoY (%)
Ahluwalia Contracts	604	185	226.0	698	(13.5)	1,542	0.8
Dilip Buildcon	2,828	3,001	(5.8)	4,562	(38.0)	14,693	(6.5)
J Kumar Infraprojects	968	283	241.9	1,044	(7.3)	3,114	(27.4)
HG Infra	1,485	491	202.3	1,665	(11.0)	4,107	19.9
KNR Constructions	1,433	943	51.9	1,822	(21.3)	5,358	10.0
NCC	1,997	1,156	72.7	2,897	(31.1)	8,545	(17.1)
PNC Infratech	1,754	1,198	46.5	2,324	(24.5)	6,728	(12.0)
PSP Projects	394	13	2933.7	621	(36.5)	1,348	(29.2)
<b>Total</b>	<b>11,464</b>	<b>7,271</b>	<b>57.7</b>	<b>15,633</b>	<b>(26.7)</b>	<b>45,435</b>	<b>(8.6)</b>

Source: DART, Company

**Exhibit 4: EBITDA Margin flat YoY (-20 bps QoQ) for DART coverage**

(%)	Q1FY22	Q1FY21	bps	Q4FY21	QoQ (%)	FY21	bps
Ahluwalia Contracts	10.4	7.4	499	9.2	124	7.8	(34)
Dilip Buildcon	13.2	15.9	(91)	15.6	(242)	16.0	(154)
J Kumar Infraprojects	14.3	9.9	5	10.5	(381)	12.1	(233)
HG Infra	16.3	16.5	(8)	16.2	9	16.2	66
KNR Constructions	19.4	19.7	(227)	19.5	(10)	19.8	(188)
NCC	10.6	9.8	(179)	11.1	(52)	11.8	(76)
PNC Infratech	14.0	13.2	63	14.1	(11)	13.7	(201)
PSP Projects	12.4	1.2	133	12.4	2	10.9	(184)
<b>Average</b>	<b>13.5</b>	<b>13.5</b>	<b>(1)</b>	<b>13.7</b>	<b>(20)</b>	<b>14.0</b>	<b>(110)</b>

Source: DART, Company

**Exhibit 5: APAT grew 263.3% YoY (-57.8% QoQ) for DART coverage**

(Rs mn)	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	YoY (%)
Ahluwalia Contracts	348	75	365.2	371	(6.1)	772	19.9
Dilip Buildcon	300	337	(10.9)	1,273	(76.4)	3,193	(23.3)
J Kumar Infraprojects	321	(208)	-	327	(1.8)	639	(65.2)
HG Infra	889	151	489.3	977	(9.0)	2,110	27.3
KNR Constructions	730	398	83.5	963	(24.2)	2,747	36.1
NCC	517	(151)	-	1,155	(55.3)	2,291	(12.4)
PNC Infratech	933	601	55.2	1,294	(27.9)	3,619	3.0
PSP Projects	251	(22)	-	407	(38.3)	835	(35.4)
<b>Total</b>	<b>4,289</b>	<b>1,181</b>	<b>263.3</b>	<b>6,767</b>	<b>(57.8)</b>	<b>16,432</b>	<b>(8.5)</b>

Source: DART, Company

**Exhibit 6: Change in estimates for DART coverage - Marginally downgrade FY22E and maintain FY23E estimates**

(Rs mn)	FY22E			FY23E		
	New	Old	Chg (%)	New	Old	Chg (%)
Net revenues	3,94,890	4,04,927	(2.5)	4,71,223	4,74,509	(0.7)
EBIDTA	54,698	56,495	(3.2)	66,835	67,772	(1.4)
EBIDTA margin (%)	13.9	14.0	(10)	14.2	14.3	(10)
Adj. Net Profit	22,691	23,954	(5.3)	31,332	32,003	(2.1)

Source: DART, Company

**Exhibit 7: Gross Debt and D:E both increased during Q1FY22 for DART coverage**

	Gross Debt (Rs mn)		D:E (x)		WC Days	
	Q1FY22	FY21	Q1FY22	FY21	Q1FY22	FY21
Ahluwalia Contracts	220	164	0.02	0.02	18	17
Dilip Buildcon	36,900	33,910	0.93	0.87	101	82
J Kumar Infraprojects	5,460	5,310	0.28	0.28	71	64
HG Infra	3,100	2,890	0.28	0.28	61	47
KNR Constructions	-470	7	(0.02)	0.00	66	104
NCC	19,360	17,888	0.36	0.33	-	(26)
PNC Infratech	4,000	3,992	0.13	0.14	67	35
PSP Projects	1,200	718	0.21	0.13	44	15
<b>Total</b>	<b>69,770</b>	<b>64,880</b>	<b>0.37</b>	<b>0.35</b>		

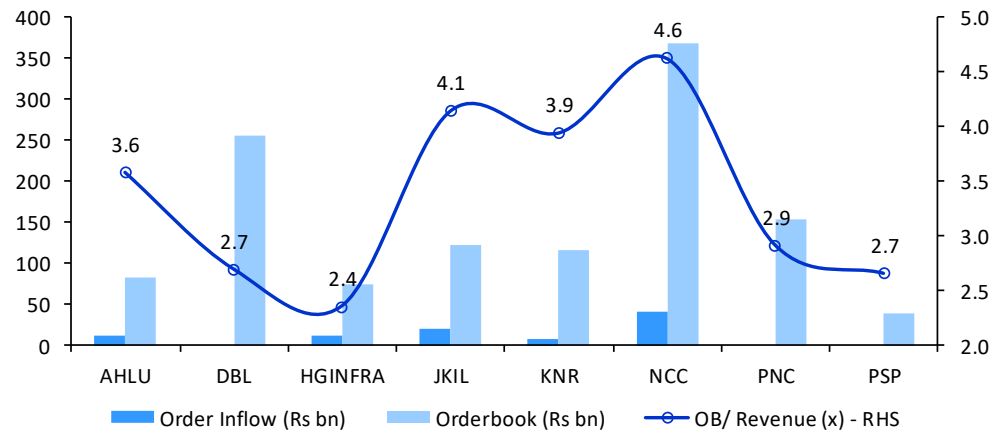
Source: DART, Company

**Exhibit 8: FCFF decreasing due to lower CFO and marginally higher capex during FY21 for DART coverage**

(Rs mn)	CFO		Capex		FCFF	
	FY21	FY20	FY21	FY20	FY21	FY20
Ahluwalia Contracts	2,591	1,097	357	368	2,234	729
Dilip Buildcon	6,990	18,529	2,992	3,107	3,997	15,422
J Kumar Infraprojects	3,687	2,588	1,295	1,762	2,392	826
HG Infra	5,273	2,550	977	932	4,296	1,618
KNR Constructions	2,980	3,941	959	2,078	2,021	1,863
NCC	6,893	6,364	1,915	1,441	4,978	4,924
PNC Infratech	2,732	8,126	1,855	926	877	7,200
PSP Projects	708	190	793	331	(84)	(140)
<b>Total</b>	<b>31,855</b>	<b>43,386</b>	<b>11,145</b>	<b>10,944</b>	<b>20,710</b>	<b>32,442</b>

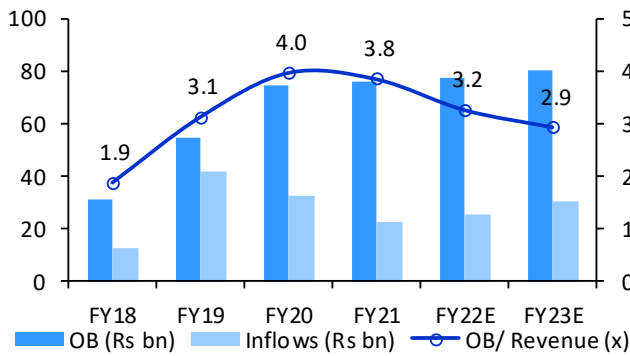
Source: DART, Company

**Exhibit 9: Healthy orderbook provides revenue visibility**



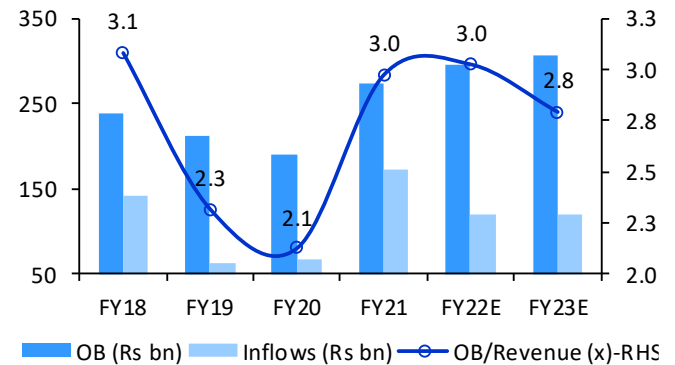
Source: Company, DART

**Exhibit 10: Ahluwalia OB Trend**



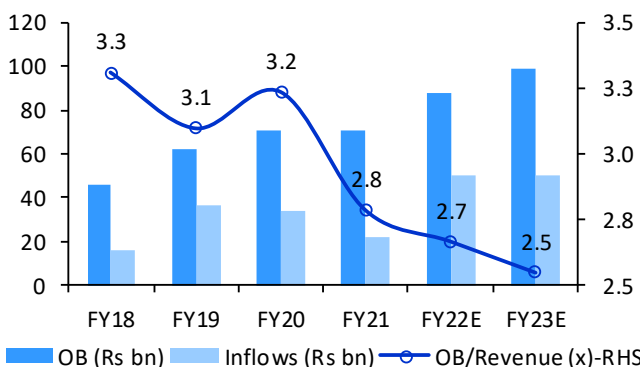
Source: Company, DART

**Exhibit 11: Dilip Buildcon OB Trend**



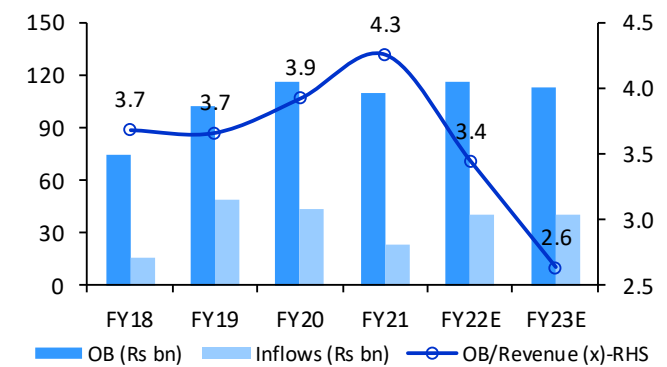
Source: Company, DART

**Exhibit 12: HG Infra OB Trend**

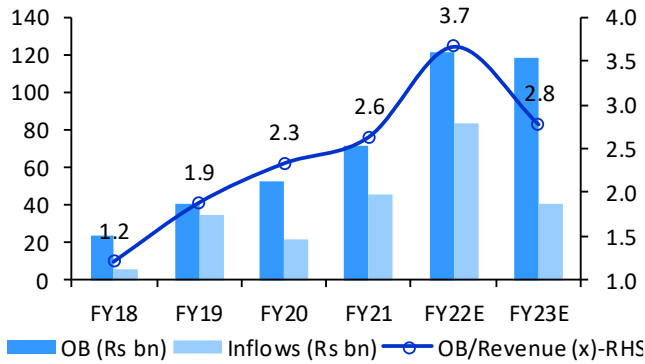


Source: Company, DART

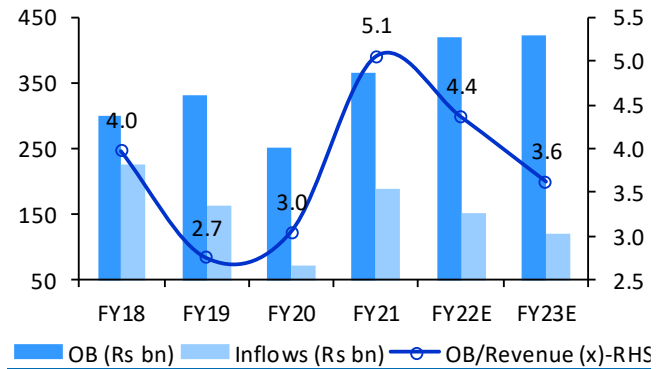
**Exhibit 13: J Kumar Infra OB Trend**



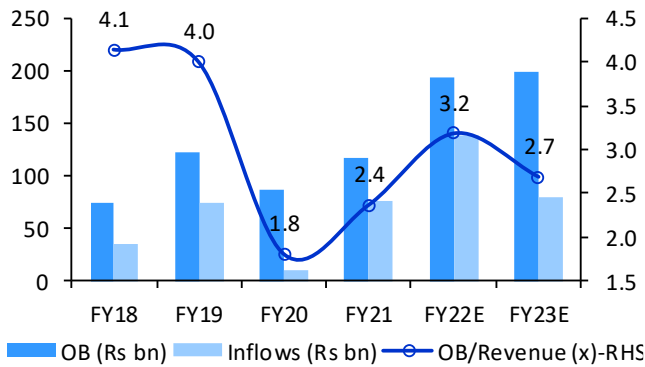
Source: Company, DART

**Exhibit 14: KNR OB Trend**


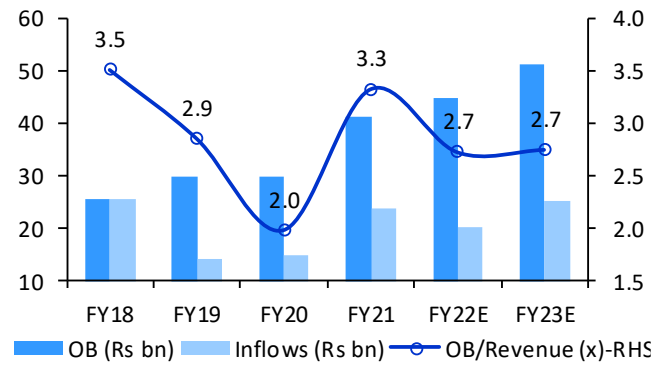
Source: Company, DART

**Exhibit 15: NCC OB Trend**


Source: Company, DART

**Exhibit 16: PNC OB Trend**


Source: Company, DART

**Exhibit 17: PSP OB Trend**


Source: Company, DART



## Q1FY22 ConCall Trend Analysis



	Bid Pipeline
<b>Ahluwalia</b>	Bid pipeline is robust and company has bid for Rs65 bn (60% hospitals, 20% commercial and 20% institution) worth of projects. ACIL will continue to focus on healthcare sector. Rs25 bn worth order inflow expected in FY22. Current order book stands at Rs71.2 bn (Commercial 5%, Hospital 53%, Infrastructure 13%, Institution 14% and Residential & Other 15%) giving revenue visibility for next 2-3 years.
<b>Dilip Buildcon</b>	Awarding activity was low in April'21 and May'21 due to COVID-19. DBL expects muted awarding in Q2FY22 and strong awarding in Q3FY22 and Q4FY22. DBL will focus on roads as well other sector like water, bridges and mining. Bigger ticket size projects has always been the focus of the company. Projects in the water sector will be bidding taking into consideration the State finances and margin profile. DBL is currently banned to bid for projects. NHAI is done with their due diligence and the management expects the ban to get lifted in 15 days. Company has experience of lodging more than 2,500 girders and at difficult places but this is the first time such an incident took place.
<b>HG Infra</b>	Opportunities – Jal Jeevan mission has good opportunities, Rajasthan itself has Rs80 bn worth of projects to be awarded in FY22E. Railways has High speed rail opportunities. Expect more awards in FY22E vs. awards in FY21. NHAI is likely to award 65-70% HAM projects in FY22E. HG has bid for 4 Railway projects from IRCON worth Rs13 bn, 6 NHAI EPC projects worth Rs45 bn and 5-6 NHAI HAM projects worth Rs60 bn. The bids are not open yet and are spread across Maharashtra, Chhattisgarh and North regions.
<b>J Kumar Infra</b>	JKIL will bid for projects worth Rs130-150 bn in FY22E and has bid for projects worth Rs47 bn from HSR, NHAI, Metro work, CIDCO projects, MCGM tunnel and small coastal road projects. JKIL is L1 in Rs4.35 bn MCGM tunnel and Rs2.05 bn coastal road project. JKIL has bid for HSR Package C7 worth Rs60 bn (JKIL stake 26%). They can increase the stake as well upto 50%. Other packages like C3 will also come and will bid for same. This project will require separate capex. JKIL has various opportunities in MMR, NCR and Gujarat and in metro projects in Chennai, Nagpur, Delhi, Kanpur and Agra. High speed rail and flyovers/ bridges also provide good opportunities. Other segments like Water projects in Maharashtra and NHAI EPC projects in MMR and NCR provide good opportunities. North and West region will be the preferred area to bid. In water segment, though JKIL has experience, they will bid in JV for works like pipeline work and tunnel pipeline. They are not looking to bid for Jal Jeevan mission. Other segments like hospital and buildings will also be in focus.
<b>KNR</b>	KNR will continue to bid for good irrigation projects but only in Telangana and not in AP as AP payment is worst whereas Telangana payments are better. Karnataka and Maharashtra too are coming with Irrigation projects.
<b>NCC</b>	NCC to focus on affordable housing along with Jal Jeevan mission (100% funded by central govt) where they have received Rs62 bn in UP orders in Dec'21. MP has floated tenders and Maharashtra too is planning to float tenders and NCC will participate. NCC will also bid for Central Vista project worth Rs190 bn. Metro and Road are also good opportunities. NCC has started bidding for road HAM projects and believes to win 1-2 projects. NCC has also started to bid for High Speed Rail (HSR) projects worth Rs100 bn.
<b>PNC</b>	Q1FY22 awarding has been low vs. Q1FY21 awarding and PNC expects it to pick up from Q3FY22. Bid pipeline is strong in Road. Jal Jeevan mission is another good opportunity. Bid pipeline - PNC has bid for 10 EPC and 6 HAM projects worth Rs110 bn in North and North West regions. Another 35-40 bids are in pipeline. No plans to bid for Airport BOT, only Airport EPC. No focus on metro project. Road segment has severe competition as NHAI has reduced bidding criteria however, projects worth Rs10 bn+ and HAM above Rs15 bn don't see any competition. Water also has competition and has similar margins as road.
<b>PSP</b>	PSP has a bid pipeline of Rs30 bn of which Rs21 bn/ Rs9 bn is in Gujarat/ Outside Gujarat. PSP is not qualified for Central Vista project as SDB is not yet completed, it is yet to see if the authorities let the company bid on the basis of 90% completion of SDB. Tenders worth Rs50 bn have been rolled out till now under Central vista projects, orders worth Rs130-140 bn are expected to come out in future. Few orders part of the Rs30 bn bid pipeline are Gujarat Housing board project worth Rs7.5 bn, few projects from Adani Airport and Adani commercial worth Rs3.0-4.5 bn and a medical college at Amethi worth Rs2.5 bn. Each project in above bid pipeline (except Rs7.5 bn - Gujarat Housing board project) are of the size of Rs2.5-4.0 bn.

	Orderbook and Order Inflow
Ahluwalia	ACIL has been declared L1 for orders worth Rs11.6 bn. Break up – Govt residential project in Calcutta for Hidco worth Rs2.5 bn, expect LOA by end of Aug'21 and a project in Bihar for BCD an animal husbandry university worth Rs8.9 bn, expect LOA by end of Aug'21. Private residential sector saw some uptick activity in some geographies but the company stays averse to the sector. Hospital is the focus of the government, Delhi govt came out with 3 packages which are spread over 7 location to build hospitals for 3rd wave of COVID-19 with a time line of 6-7 months. ACIL submitted 3 bids worth Rs20 bn.
Dilip Buildcon	
HG Infra	Pre-qualification of Railways is Rs10 bn and for Water on a standalone basis is Rs500 mn however, in JV with one south player, HG is qualified to bid for projects worth Rs1.5-2 bn. HG had a bid to win success ratio of 4%/ 10-12% in HAM projects in FY21/ FY20. On the EPC side, success ratio was 10% in FY20. Total opportunity size on HAM/ EPC/ BOT Toll front is Rs1.25 tn/ Rs500 bn/ Rs150-200 bn HG expects to win additional order inflow of Rs50-60 bn in FY22E of which Rs5-8 bn can be from water and railways segment. It expects 10% contribution to OB from these segments and will further increase to 25% by FY24E/25E. HG doesn't rule out sub-contracting work
J Kumar Infra	JKIL expects additional order inflow target of Rs35-40 bn for FY22E with OB of Rs120 bn.
KNR	KNR believes they have sufficient management bandwidth and geared up for 2-3 years. Enough opportunities are there like Bharatmala in road sector and Irrigation too for next 2-3 years. Urban infra also has flyover and bridges. Though some slowdown is seen in state govt projects. Few tenders in road segment are Chennai Bangalore and Hyderabad Bangalore. NHAI has identified 22 expressways in Bharatmala. KNR has bid for 2 HAM projects and result is awaited. Additional will bid for 6-7 projects worth Rs10-12 bn each. KNR targets to win Rs20-30 bn order inflows in FY22E and can take 2-3 HAM projects in FY22E. All projects in Irrigation OB are working fine except for Rs7 bn Kaleshwaram project JV with HES which has certain land issues. Malana 95% is completed.
NCC	AP Orders – Orderbook stands at Rs52.14 bn and receivables decreased by Rs180 mn to Rs2.33 bn and retention decreased by Rs60 mn. Bank guarantee decreased from Rs9.14 bn to Rs8.56 bn. NCC received Rs4 bn from AP government in the past 15 months and also received bank guarantees. NCC asked them to adjust payments with mobilization advances resulting in reduction of outstanding by Rs2.5 bn. Some delays are witnessed in residual bills. Irrigation orders in AP capital city have stopped and some have descope and some have closed as it is.
PNC	PNC can take 3-4 big HAM projects where total equity required will be Rs15 bn.
PSP	Order book stands at Rs38.5 bn out of which SDB is Rs2.9 bn. All the projects are mobilized except two projects of UP. Guided order inflow of Rs18-20 bn for FY22E. PSP guided for 25-30% YoY revenue growth in FY22E and EBITDA margin guidance of 11.5-13% depending on the activity of the project. SDB project – Out of remaining SDB order book of Rs2.9 bn, PSP expects 60%-70% to be executed in Q2FY22 and the remaining in Q3FY22.



	Revenue and EBITDA Margins
<b>Ahluwalia</b>	Impact of COVID-19 felt in the month of April'21 and May'21 but the company was able to withstand the impact and report good results as the projects were not completely stopped. 10% of the revenues lost in Q1FY22 due to the second wave. Management gave a guidance of 15-20% (earlier 10-15%) revenue growth in FY22 and EBITDA margins of 11-12% in FY22. In Q4FY21, ACIL said it can achieve a quarterly revenue run rate of Rs7.5 bn under optimal conditions.
<b>Dilip Buildcon</b>	DBL gave revenue guidance of Rs100-Rs100.5 in FY22 with an EBITDA margin of 15%-15.5%. DBL guided for order inflow of Rs100-120 bn for FY22E, majority the order book comprising of road projects.
<b>HG Infra</b>	HG is confident of over achieving its revenue growth guidance of 25-30% for FY22E. Out of total orderbook of Rs73.9 bn, only Rs43 bn worth of orders are under execution and HG is confident of executing Rs23 bn in 9 months of FY22E. HG will not compromise on margins.
<b>J Kumar Infra</b>	JKIL has a long term vision to reach Rs50 bn revenue by FY25, 18.1% CAGR over FY21-25E. Maintains revenue guidance of Rs30-35 bn for FY22E with EBITDA margin guidance of 14-15% for FY22E. 60% of revenue will come from metro line 3, line 6, line 9 and Pune metro. Other major contributors will be Dwarka project, SCLR and JNPT. If covid 2nd wave had not struck, JKIL could have done additional execution of 20% in Q1FY22. 50-60% labour had reduced during 2nd wave but now it's at a normal pre covid level. JKIL doesn't expect much impact of monsoon in Q2FY22. Dwarka Pkg 1 and Pkg 2 has early completion bonus of Rs700 mn and Rs400-500mn respectively. CIDCO project (Rs4.1 bn) is not started yet as there is no forest clearance. Expect execution to commence in 3-4 months.
<b>KNR</b>	KNR had increased its guidance for revenue to Rs34 bn from Rs30 bn for FY22E. KNR has guided for EBITDA margins of 17-18% for FY22E. Escalation clause is there in HAM projects due to increase in commodity prices.
<b>NCC</b>	Considering possible 3rd wave of covid in Aug-Sept'21 and the uncertainties, NCC refused to give any guidance. However, they guided for 22-25% revenue growth with EBITDA margins of 11.75-12% and PAT margin of 3.5-4% for FY22E. Labour migration is less now vs. last year and supply chain and raw material supply is good.
<b>PNC</b>	PNC maintains its guidance of 20% revenue growth in FY22 (considering third wave of covid does not impact execution), maintains EBITDA margin guidance of 13.5-14%.
<b>PSP</b>	

	Project specific status
<b>Ahluwalia</b>	<p>Project tendering is on but the projects might get impacted during the cycle of the project due to financial issues. States like West Bengal and Bihar facing some financial issues. WC is a bit stretched which are being met by internal accruals.</p> <p>Jammu projects – Order value is worth Rs12.5 bn which is now moving fast and has a monthly run-rate of Rs200 mn which will ramp up to Rs250-Rs300, done billing of Rs1.50 bn.</p> <p>Bihar projects – They are not moving in the speed what management expected due to rain. WC at Bihar projects is a bit stretched since the state is facing financial issue, expect it to improve in H2FY22.</p> <p>Project update : Hospital projects in Hamirpur and Chamba are moving in full swing. AIIMS Kayaninagar and Nagpur are in the final stages of handover, academic part and 2 floors each has already been handed over and auditorium projects are moving and booking Rs80-Rs90 mn per month, expect completion by March'22. Mumbai 2 MMRDA projects started, but at slow speed due to the lockdown and monsoon, picked up last month. Sion project is expected to be slow as it has a lengthy timeline as it is to be done in parts but the depot is on track.</p>
<b>Dilip Buildcon</b>	<p>Siarmal Open cast mining – Singing of agreement on 2 Jun'21 and expect to commence mining after 1.5 year as there are many mining procedures only after which the company can start the work. Equity infusion will take place only when the work is commenced at the site.</p> <p>Pachwara mining case still pending in the supreme court, next hearing to be held in Sept'21.</p> <p>All the project of the company are moving smoothly except Indore metro project which faced some clearance issues. DBL will complete 5 EPC projects in next one month.</p>
<b>HG Infra</b>	<p>Physical progress - Gurgaon Sohna 87%, Hapur Moradabad 60%, Delhi Vadodara Pkg-4 75%, Narnaul Bypass 75%, Rewari Ateli 72%, Delhi Vadodara Pkg 8 30%, Delhi Vadodara Pkg 9 25% done, Rewari 19% done, Mancherial 30% done and Rajasthan projects 85-95% done and has applied for PCOD. Expect 90-95% Hapur project to get completed by Mar'22.</p> <p>Expect Raipur HAM project to get AD by Jan-Feb'22 (60% land available) and Khammam HAM AD by April-May'22. Karala EPC has more than 90% land available and can start execution by Dec'21.</p>
<b>J Kumar Infra</b>	<p>Physical progress: Metro Line 3 - 76%, Line 2 - 89%, Line 6 – 20%, Dwarka – 17%, Line 4 – 25%, Line 7 extension – 60%, Line 9 – 12%, Pune – 75% and Surat metro is just started. Expect Line 3 to be completed by Dec'22 and expect Rs7-8 bn of revenue in FY22 from line 3 and expect revenue of Rs2.5-3 bn from Line 9 in FY22.</p> <p>JKIL owns total 7 TBMs of which 4 TBMs are used in Line 9 and Surat metro and 3 TBMs are free. For utilization of TBMs, JKIL has to also bid for underground metros. JKIL may purchase additional 1 or 2 TBMs.</p>
<b>KNR</b>	<p>Chittor project likely to get Rs90 mn early completion bonus. Cheyyur – Vandavasi EPC work has started and expect revenue to reflect in Q3FY22.</p> <p>KNR received Chittor PCOD on 10 May'21 (142 days ahead of schedule) and balance 2 HAM PCOD is expected in 2 months. KNR will not refinance the project and will look to sell the assets and free up equity.</p> <p>KNR has applied for COD for Trichy project for 27.8 km and 4 km was received last week and balance 4 km is pending, of which 3 km is expected in 1-2 months and balance 1 km will take more time or can be descope.</p>
<b>NCC</b>	
<b>PNC</b>	<p>Water Projects in UP - PNC has submitted DPR of 900 villages out of 3,430 villages. Work of 900 villages (Rs6-8 bn) will start in end of Q2FY22 but good amount of execution to come from Q3FY22 onwards. All the DPR will be done by FY22E. Jal Jeevan orders in UP are executable for 16-18 months after land is received. Land for 1200 out of 3430 villages is received.</p>
<b>PSP</b>	<p>UP projects (18 months' execution period) – Work on 5 projects has been started and for the 2 other projects, all designs are submitted and machinery is mobilized. The revenues from this project to start from Q2FY22 and reasonable amount of revenues will be booked in Q3FY22 since Q2FY22 work will be affected by rain. This project has 10% mobilization advance at 10% interest and 5% is already received by PSP. PSP does not expect any delay in execution due to UP elections.</p> <p>Bhiwandi project is delayed and is in court now. The next hearing on the case is on 26th July'21. Pandharpur project is slow as client is not able to pay on time.</p>

	Equity requirement
Ahluwalia	
Dilip Buildcon	DBL has 12 HAM assets which are either committed or in advance stage of monetization. Expect Rs25 bn (earlier Rs20 bn) from the deal (Rs10 bn/ Rs15 bn in FY22E/ FY23E), the increase in valuation is primarily for remaining 7 projects as first 5 projects already signed deal with Cube Highways. DBL expects value appreciation of the assets which have achieved CoD and hence the management has taken decision to sell assets only after COD maximizing shareholders value. One of the HAM achieved COD and received 1st annuity in July'21. There is a lot of interest in the HAM assets of DBL from investors as DBL has 10% of the HAM portfolio awarded by NHAI. CUBE deal for sale of 5 HAM projects is in the last stages, expect to receive Rs5.5 bn in FY22 and balance Rs1 bn in FY23. Expect equity infusion of Rs7 bn, Rs1.8 bn has already been invested, the rest will be infused in a staggered manner.
HG Infra	Equity investment in HAM – Expect total equity investment of Rs4.5 bn for HAM projects of which Rs1.5 bn in FY22E (Rs900 mn for old HAM and Rs600 mn for new HAM), Rs2 bn in FY23E and Rs1 bn in FY24E. On HAM monetization, some investors are keen and one Invit is also interested. This may take 6-8 months to complete and expect a positive outlook.
J Kumar Infra	
KNR	Total equity required is Rs6.25 bn of which Rs4.25 bn is invested as on Jun'21 and Rs1.35 bn/ Rs650 mn to be invested for 5 HAM projects in FY22E/ FY23E. Equity for 2 Kerala HAM projects where 60-65% land is available, required is Rs4.3 bn (AD expected in Q3FY22 and revenue execution in Q4FY22 and Rs2 bn equity to be infused in Q4FY22) and Chittor-Thatchur is Rs1 bn (AD expected in FY23E). Expect LOA of Chittor Thatchur in 2 months as there are farmers issues going on.
NCC	
PNC	Total equity required is Rs14.68 bn for HAM projects and equity infused as on Jun'21 is Rs6.22 bn and Rs8.46 bn to be invested over 2-3 years. To be precise, Rs3.5 bn/ Rs3.19 bn/ Rs1.77 bn in FY22E/ FY23E/ FY24E.
PSP	

	Capex and Debt
<b>Ahluwalia</b>	Capex incurred in Q1FY22 was Rs70 mn and expect Rs300 mn to be incurred in FY22.
<b>Dilip Buildcon</b>	Increase in working capital resulted in increase in debt on QoQ: DBL made investment of Rs2 bn in new HAM project in Q1FY22, Inventory increase by Rs2.6 bn QoQ as price of cement, steel, bitumen and aggregates increased, debtor increased by Rs1.7 bn QoQ and creditors reduced by Rs1.0 bn QoQ. Total cash outflow of Rs7.2 bn due to increase in net working capital resulted in Rs3 bn QoQ increase in gross debt to Rs36.9 bn (historically highest) as on Q1FY22 despite Rs5 bn QIP inflow in Apr'21. Management expect to reduce debt by Rs8 bn/ Rs5 bn from Q1FY22/ FY21 level by end of FY22 with the cash inflow from asset monetization. Capex – DBL incurred Rs770 mn of capex in Q1FY22 and does not expect the number to cross beyond Rs1.0 bn in FY22E.
<b>HG Infra</b>	Gross Debt stands at Rs3.1 bn (Jun'21) vs. Rs2.9 bn (Mar'21) vs. Rs3.8 bn (Jun'20). Cash stands at Rs1.5 bn. Capex guidance of Rs700 mn for FY22E (Rs290 mn already spent in Q1FY22E).
<b>J Kumar Infra</b>	Gross Debt stands at Rs5.46 bn and expect it to remain at similar levels for FY22E. Capex guidance of Rs1 bn of which Rs320 mn is already done in Q1FY22. Expect working capital days of 120 by FY22E. Debtors/ Inventory/ Payables stands at Rs6.6 bn/ Rs8.5 bn/ Rs4.05 bn. Cash stands at Rs4.5 bn. Expect Rs4 bn additional mobilization advance.
<b>KNR</b>	Capex guidance for FY22E is Rs1.4-1.5 bn and Rs420 mn is done in Q1FY22. Depreciation guidance of Rs1.2-1.5 bn for FY22E.
<b>NCC</b>	
<b>PNC</b>	Capex guidance of Rs1-1.25 bn for FY22E and Rs1.25 bn each for FY23E/ FY24E. Gross debt stood at Rs4.0 bn (term loan for equipments) whereas Cash/Net cash stood at Rs6.99 bn/ Rs3 bn as on Q1FY22. Networth is Rs30 bn. Net WC days of 103 days. Debtors/ Inventory/ Payable is Rs 10.98bn/ Rs4.05 bn/ Rs5.34 bn.
<b>PSP</b>	

	B/S items
<b>Ahluwalia</b>	Provision for doubtful debts now on normal path and will come as and when they age. Mobilization advance/ Retention money/ Unbilled revenue stood at Rs3.3 bn/ Rs2.0 bn/ Rs3.6 bn and Gross Debt/ Cash stood at Rs220 mn/ Rs4 bn as on June'21. Debtor/ Payables/ Inventory stood at Rs4.2 bn/ Rs5.9bn/ Rs2.8 bn as on 30th June'21.
<b>Dilip Buildcon</b>	Mobilization advance/ Retention money/ Unbilled revenue stood at Rs10 bn/ Rs7.5 bn/ Rs5.0 bn. WC days stood at 100 days vs. 82 days in Q4FY21. Expect WC to reach 92-95 days by end of FY22.
<b>HG Infra</b>	Rajasthan projects funded by WB – Debtors improving and pending is Rs370 mn (Rs90 mn received in Jul'21) which is expected to clear in Q3FY22E. Debtors from major projects – Total debtors increased by Rs1.3 bn to Rs8.36 bn. Adani/ IRB debtors stands at Rs490 mn/ Rs1.72bn. Inventory/ Payables stands at Rs1.86 bn/ Rs5 bn. Retention money/ Mobilization advance/ Unbilled revenue stood at Rs2.4 bn/ Rs2.67 bn/ Rs2.46 bn.
<b>J Kumar Infra</b>	
<b>KNR</b>	Irrigation receivables are Rs6.5 bn from Telangana govt of which Rs2.7 bn bills are submitted but not yet received payment and the same should receive in 2-3 months. Retention money/ Retention withheld is Rs1.84 bn/ Rs1.08 bn. Mobilization advance receivable/ Mobilization advance to be paid is Rs1.34 bn/ Rs2.2 bn. Net Cash is Rs470 mn. Inventory/ Debtors is Rs1.64 bn/ Rs6.97 bn. Out of receivables of Rs6.97 bn, Rs3.98 bn pertain to HAM projects and Rs2.73 bn for irrigation projects.
<b>NCC</b>	Standalone debt increased to Rs19.36 bn from Rs17.9 bn because of utilization of working capital as payments were delayed in electricity segment in state of UP and Jharkhand. Expect debt to reduce to Rs15-16 bn by FY22E as NCC plans to sell non-core assets. Capex guidance of Rs2.5 bn for FY22 and did Rs380 mn in Q1FY22. Guided for interest cost of Rs4.3-4.5 bn for FY22E. Interest rates down to 9%. Good improvement seen in bank guarantees as when 50% project is completed, then bank guarantee also comes down by 50%. NCC reduced Rs10 bn bank guarantees in the last 15 days, which can be used to bid for new projects. Mobilization advance increased by Rs1.14 bn to Rs15.14 bn and Retention increased by Rs80 mn to Rs21.1 bn. Unbilled revenue increased by Rs1.17 bn and margin money by Rs570 mn. Receivables/ Inventory stood at Rs26 bn/ Rs5.27 bn. Cash balance stood at Rs3.7 bn. Loans and advances/ investments to group companies stood at Rs2.85 bn/ Rs9.98 bn. Expect debtor days to reduce to 100 days.
<b>PNC</b>	Debtor days increased as payments from projects were delayed such as Rs1.32 bn/ Rs470 mn/ Rs240 mn for Nagpur-Mumbai/ Purvanchal/ Lucknow, which were received in 1st week of Jul'21. Mobilization advance/ Retention money was Rs5.87 bn / Rs1.4 bn. Fund based / Non fund based limit is Rs10 bn (0% utilized) / Rs50 bn (50-55% utilized). Loss funding of Rs2.87 bn done in Q1FY22.
<b>PSP</b>	Retention money/ Unbilled revenue/ Mobilization advance/ Receivables stood at Rs990 mn/ Rs770 mn /Rs1.0 bn/ Rs2.8 bn. WC days – Debtor days/ Inventory days/ Creditors days were 82 days/ 25 days/ 52 days respectively. Gross debt increased to Rs1.2 bn vs. Rs718 mn (Mar'21). Total FD is Rs2.2 bn of which Free FD/ FD under lien stands at Rs730 mn/ Rs1.40 bn. Rs 70 mn is given to clients for security deposits. FD increased due to increase in receipt of mobilization on few projects. Total Fund and Non-Fund based limits increased from Rs 6.1 bn to Rs10.5 out of which Rs5.5 bn are utilized (Rs1.2 bn/ Rs4.3 bn is Fund/ Non Fund based limits). Limits were increased for WC requirement and for precast plant. Mobilization advances are put aside for the specific projects.

	Tax rate, Payments and Others
Ahluwalia	
Dilip Buildcon	<p>The girder incident at one of their sites was posted on exchange as soon as the company received the letter from NHAI. According to the due diligence done after the incident, it came into light that there was negligence in placing the block and because of the rains and traffic it loosened up further.</p> <p>DBL acquired DBL infrastructure a promoter company for a value of Rs20mn since there was cash of Rs20 mn in the books of DBL infrastructure. This entity will be used to channel investment in HAM projects in the future.</p> <p>Unutilized MAT credit stands at Rs2.3 bn as on June'21. DBL utilized Rs130 mn of the MAT credit in Q1FY22. Expect to continue on the same old tax regime in FY23 as well.</p>
HG Infra	No need to raising Rs3 bn via QIP or any other means as of now. As NHAI is planning to award more projects under HAM, HG wants to be ready to bid and win more orders.
J Kumar Infra	
KNR	KNR has shifted to new tax rate and effective tax rate will be 25-26%. It can increase to 30% considering increase in deferred tax asset.
NCC	<p>Orders received in Feb-Mar'21 are getting mobilized and should commence in 3-4 months. Expect UP Jal Jeevan orders (Rs62 bn) to commence by Sept'21. Payments are good in central govt projects but slight delay in state govt projects due to their focus on welfare schemes.</p> <p>Total revenue from subsidiaries and associate companies was Rs1.71 bn and PAT of Rs220 mn. NCC has bank limits of Rs28.22 bn of which Rs16.36 bn are utilized.</p> <p>NCC has planned to wind up international business. All projects in Oman are completed and Qatar will take 4-5 months to complete. 90% of the assets are sold and bank loans are clear. Expect to receive Rs1 bn/ Rs1.9 bn in FY22E/ FY23E.</p> <p>Approval received for NCC Urban Vizag and on track to convert to freehold property and identify the buyer. Incoming investor will repay Rs1.92 bn debt of NCC in FY22E. On a net basis, NCC will receive Rs3.75 bn (Rs3.14 bn/ Rs610 mn in FY22E/ FY23E). Expect Sembcorp award to receive in Mar-Apr'22.</p>
PNC	<p>Expect early completion bonus in Purvanchal Expressway Pkg 5 &amp; 6 and in Nagpur-Mumbai expressway. Early completion bonus is 0.04% every day for max 150 days translating to 6% of value for Purvanchal Pkg 5 &amp; 6 (revised scheduled COD is Jan'22). Nagpur-Mumbai Expressway scheduled revised COD is in Oct'21 (expect to get extension) and expects to complete by Oct-Nov'21.</p> <p>Irrigation projects have no mobilization advances but water segment has 10% advance without interest.</p> <p>Aligarh BOT project, received NOC from all banks and NHAI approval is under process which is expected by end of Aug'21 and final deal by Q2FY22 end.</p> <p>Asset monetization of 6 HAM and 1 Annuity is on the cards (deal by FY22) and these projects have Rs47 bn debt and Rs9.4 bn equity.</p> <p>Tax rate guidance of Rs28.5% for FY22E.</p>
PSP	Precast plant - Capex of Rs850 mn incurred. PSP is in discussion with 2 clients for pre cast work and expect to be finalized in 1-2 weeks. EBITDA margin in precast business is similar to core EPC margin.



## Valuation Matrix

Company	Revenue (Rs bn)				EBITDA (Rs bn)				PAT (Rs mn)				EBITDA margin (%)				Order book (Rs bn)			
	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
ACIL	18.8	19.8	23.8	27.4	1.5	1.5	2.7	3.4	644	772	1,587	2,055	8.1	7.8	11.5	12.5	74.6	76.1	77.3	79.9
DBL	89.8	92.1	97.9	109.8	15.7	14.7	14.3	16.5	4,160	3,193	3,117	5,145	17.5	16.0	14.7	15.0	190.8	274.1	296.3	306.7
HGINFRA	22.0	25.3	32.8	38.8	3.4	4.1	5.1	6.0	1,657	2,110	2,667	3,178	15.6	16.2	15.5	15.5	71.0	70.4	87.6	98.8
JKIL	29.7	25.7	33.6	42.8	4.3	3.1	4.8	6.1	1,836	639	1,800	2,593	14.4	12.1	14.1	14.1	116.4	109.3	115.7	112.8
KNR	22.4	27.0	33.1	42.7	4.9	5.4	6.1	8.1	2,018	2,747	3,248	4,814	21.7	19.8	18.5	19.0	52.3	71.2	121.3	118.7
NCC	82.2	72.6	96.4	117.0	10.3	8.5	11.4	14.3	2,616	2,291	4,091	5,949	12.5	11.8	11.8	12.3	250.1	366.5	420.1	423.2
PSP	15.0	12.4	16.4	18.6	1.9	1.3	2.0	2.3	1,293	835	1,269	1,461	12.7	10.9	12.1	12.1	29.7	41.2	44.8	51.1
PNC	48.8	49.3	60.9	74.2	7.6	6.7	8.3	10.2	3,514	3,619	4,899	6,124	15.7	13.7	13.7	13.7	86.3	116.5	193.6	199.4

Company	Mcap (Rs bn)	CMP* (Rs)	TP (Rs)	EV/EBITDA (x)				P/E (x)				RoCE (%)				RoE (%)			
				FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
ACIL	24.9	372	429	15.0	13.6	8.0	6.1	38.7	32.3	15.7	12.1	12.4	14.1	21.1	22.1	8.4	9.2	16.6	18.0
DBL	70.0	511	495	6.3	6.9	6.9	6.0	18.0	23.4	24.0	14.5	15.3	12.8	11.5	12.6	12.6	8.5	7.2	10.3
HGINFRA	38.1	584	695	0.1	0.1	0.1	0.1	23.0	18.1	14.3	12.0	19.7	21.7	22.8	21.9	22.4	22.8	22.9	21.9
JKIL	16.2	214	274	4.2	5.0	3.5	2.8	8.8	25.4	9.0	6.3	11.4	6.8	11.0	13.0	10.5	3.4	9.1	11.9
KNR	85.1	303	308	17.9	15.7	13.8	10.4	42.2	31.0	26.2	17.7	17.8	17.8	18.0	22.0	13.4	15.7	15.9	19.9
NCC	48.4	81	98	6.2	7.2	5.6	4.7	18.8	21.5	12.0	8.3	14.0	10.4	11.9	13.7	5.3	4.4	7.4	9.9
PSP	15.4	428	568	7.4	10.3	7.0	5.9	11.9	18.5	12.1	10.5	31.3	17.4	21.8	21.0	31.2	16.7	21.3	20.4
PNC	78.1	305	407	9.7	11.1	9.1	7.6	22.2	21.6	15.9	12.8	23.7	14.8	16.6	17.3	15.8	13.5	15.6	16.6

Sources: Company, DART \*CMP as on 17 Aug 2021

**DART RATING MATRIX**

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

**DART Team**

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