

Seasonally slow quarter; execution to drop sequentially

GR Infra: We are building in 5%/2% YoY increase in Revenue/PAT for GRIL on account of weak order inflow in FY23. The order inflow momentum has not picked up yet with only 2 order wins aggregating to Rs18.2bn, YTD FY24. EBITDA margins are expected to remain stable at 14.5%, flat on QoQ basis. As a result, absolute EBITDA is likely to increase by 4.1%YoY respectively. Despite healthy orderbook of Rs268bn (including L1 orders), executable orderbook is currently only Rs107bn (1.3x FY23 revenue). Overall equity requirement for the company including support for the BOT assets is in excess of Rs25bn and hence asset monetization through InvIT is a must, for which, the company has received observation letter from SEBI for the InvIT IPO. We expect execution to pick up sharply post 3QFY24.

HG Infra: HG infra is expected to report yet another good set of numbers for 2QFY24 after reporting healthy growth of 19% in 1QFY24. We expect the company to deliver 25% revenue and 21% PAT growth in 1QFY24. EBITDA margins are expected to be flattish at 16% on YoY basis. HG infra's orderbook stood at Rs116.7bn as on 30th June 2023. Out of the 4 HAM projects lined up for monetization, company has received approval for 3 projects amounting to EV of Rs Rs10.9bn which translates to equity value of ~Rs4bn. The completion of the sale is expected in November 2023 which would free up capital for future growth.

KNR construction: KNR's OB as on June2023 stands at Rs62.6bn (1.7x TTM revenue). Given the lower size of the orderbook, the execution in 1HFY24 is likely to be muted. The company has signed concession agreement for 3 HAM projects with EPC value of Rs17.8bn and is awaiting FC/AD which is likely to contribute to revenues towards the end of FY24 and in FY25. Progress on the pace of irrigation orders would be a key monitorable which would be an added impetus for overall execution in the current fiscal. KNR will be the only company in our coverage to report YoY decline in PAT. We are building in 4% YoY growth in revenue for KNR with 18% margins (down 195bps YoY). Adj. PAT is expected to decline 14% YoY to Rs921mn.

L&T: We are building in 18% YoY growth in revenue for L&T in 2QFY24 with consolidate EBITDA margins of 10.5% up 33bps QoQ and down 96bps YoY. Adj. PAT is expected to increase by 15.4% YoY at Rs25.7bn. For the core EPC business, we are building in 22% YoY growth in revenue and margins of 8.6%. Order inflow for the company has been robust this year and we expect the management to increase its revenue and order inflow guidance upwards for FY24.

NCC: We expect NCC to deliver yet another strong quarter with 18% YoY growth in revenue. We expect EBITDA margins to improve by 39bps YoY at 10.0%. PAT at Rs1.4bn is expected to improve by 17% YoY. NCC has highest book to bill ratio within our coverage and we believe that execution can surprise positively. The company has won arbitration award of ~Rs2bn for disputes with Sembcorp against the receivables of Rs6bn on balance sheet. We expect the company to provide for extraordinary loss for the same.

PNC Infra: We expect PNC infra to deliver modest 9% revenue growth for 1QFY24 driven by execution across all under construction HAM projects. EBITDA margins are likely to be flat YoY at 13.1%. PAT growth is expected to be lower at just 5.8% YoY. PNC currently has total of 27 projects, out of which 22 are HAM projects and rest BOT. 7 projects have received COD/PCOD, 11 are under construction and concession agreement signed for 4 projects. Total equity requirement for the asset business stands at Rs29bn out of which Rs17.1bn has already been invested as of June 2023. Sale of its HAM assets remains a key monitorable for the company.

Stock price performance (%)*

Company Name	1 Mth	3 Mth	6 Mth	1 Yr
GR Infra	(6.1)	(10.6)	17.6	(3.7)
HG Infra	(5.9)	4.8	9.8	59.0
KNR construction	3.6	11.7	10.3	20.4
L&T	6.0	23.6	35.2	59.8
NCC	(3.7)	18.7	40.9	109.0
PNC Infra	1.4	3.4	27.3	36.1

Source: Centrum Broking, *as on 09 October 2023

Rating and Target prices

Company Name	Rating	Price* (Rs)	TP (Rs)
GR Infra	Buy	1,192	1,603
HG Infra	Buy	928	1,283
KNR construction	Buy	279	287
L&T	Add	3,075	2,892
NCC	Add	153	170
PNC Infra	Buy	366	419

Source: Centrum Broking, *as on 09 October 2023

Nifty 50 vs. Nifty Infrastructure



Source: Bloomberg



Mangesh Bhadang

Research Analyst, Cement

+91-22-4215 9053

mangesh.bhadang@centrum.co.in



Sanjit Tambe

Research Associate, Cement

+91-22-4215 9201

sanjit.tambe@centrum.co.in

Exhibit 1: Infrastructure 2QFY24 results preview

Company name	Revenue	YoY%	QoQ%	EBITDA	YoY%	QoQ%	EBITDA margins	YoY (bps)	QoQ (bps)	Adj PAT	YoY%	QoQ%
GR Infra	18,660	5.0%	-13.3%	2,706	4.1%	-14.0%	14.5%	-13	-12	1,677	2.0%	-19.4%
HG Infra	9,401	25.0%	-26.1%	1,504	24.5%	-26.6%	16.0%	-6	-11	784	21.3%	-33.8%
KNR Construction	8,557	4.0%	-7.9%	1,540	-6.2%	-11.1%	18.0%	-195	-64	921	-14.3%	-16.4%
L&T	5,04,599	18.0%	5.4%	52,983	8.1%	8.8%	10.5%	-96	33	25,730	15.4%	3.2%
NCC	35,444	18.0%	-7.7%	3,544	22.8%	-6.9%	10.0%	39	8	1,420	16.8%	-12.5%
PNC Infra	17,016	9.0%	-8.6%	2,229	7.7%	-9.0%	13.1%	-16	-6	1,387	5.8%	-11.4%

Source: Centrum Broking

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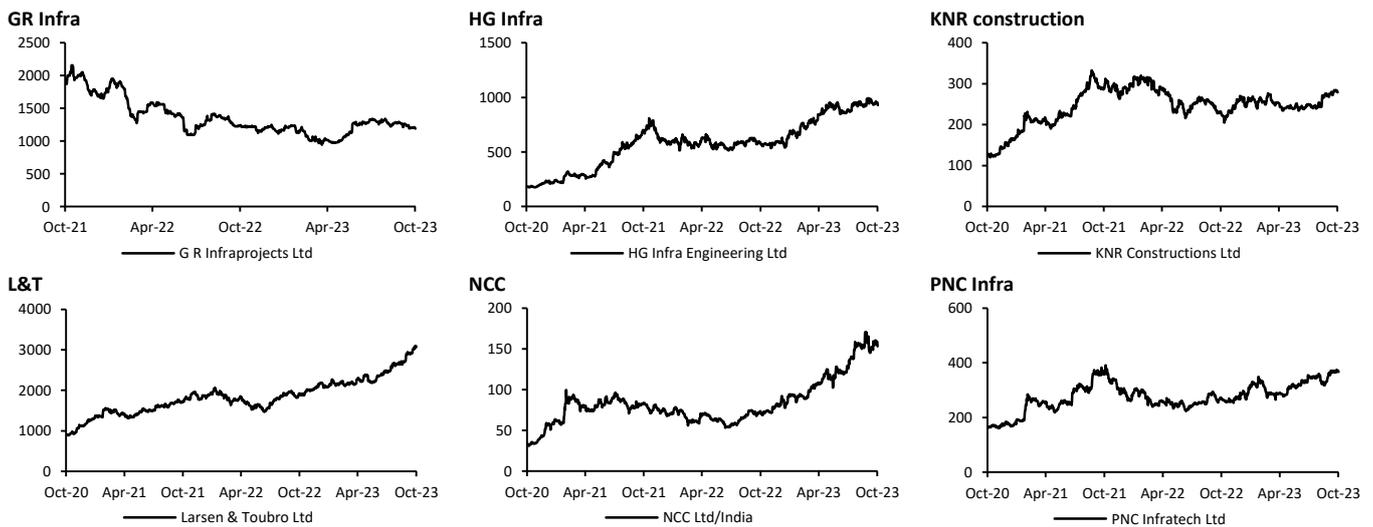
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Source: Bloomberg

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PORTFOLIO MANAGER

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Website: www.centrumbroking.com

Investor Grievance Email ID: investor.grievances@centrum.co.in

Compliance Officer Details:

Ajay S Bendkhale

(022) 4215 9000/9023; Email ID: compliance@centrum.co.in

Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)**Registered and Corporate Office:**

Level -9, Centrum House, C.S.T. Road,

Vidyanagari Marg, Kalina,

Santacruz (East) Mumbai – 400098

Tel.: - +91 22 4215 9000