SUMMER INTERNSHIP REPORT

Final Report

MWH HOLDINGS

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Introduction

About the company

Real infra project ltd started in the year 1980. They started off with the job of maintenance of PWD buildings and scaled up to get registered with Public Works Department, Government of Maharashtra as a Class I-A Civil Contractor. Post registration the company started executing civil contracts for Government, Semi government and other various private organizations relating to infrastructure. They were also into Civil Engineering Construction contracts comprising mainly of roads, flyovers, bridges, irrigation projects, commercial buildings, railway buildings, sports complexes and airport contracts.

Since May 03, 2007 The company is been registered with Vidarbha Irrigation Development Corporation as class 1 A contractor and obtained orders for the execution of spillways, M.I. Tanks etc.

About the project

MWH holdings has provided me with an opportunity to understand the investment banking sector by giving me opportunity to help in raising 250 crores of QIP for Real infra project ltd. There was a procedure followed for acquiring the funds. It started with analysing the financial statements of the company to understand its position and as to where the required fund would be utilized. Then the future numbers were forecasted with the help of various financial models and tools.

Objective of the project

The objective of this project was to raise 250 crores of QIP for an infra company namely Real Infra project ltd. To learn Valuation of the company, Forecasting, Financial modelling and preparing investor pitch.

Expected Benefits

Taking into consideration the current situation, it is difficult to get payments from government as currently government is focussing on developing the health care facilities in India. Also, the company is located Mumbai, Maharashtra where the number of COVID – 19 cases are quite high. In such situation it is better for the company to raise funds through QIP so that they do no face problems in managing their working capital.

Methodology/Approach

Source of Information

The entire data used here during the course of the project is second hand data.

The data was collected from various sources such as:-

- Screener.com - The data collected from here was about the market and excel data required for the valuation.
- Company website - The data about the company history, its directors, about the past projects and the upcoming projects.
- NSE/BSE – This website was used to get the data about the everyday value of shares of the company.

Learnings

SWOT Analysis

Strength

- The promoter increased the return of 397.8% of Nifty 500 shares in 5.9 years
- It has Low Debt
- Annual Net Profits improving for last 2 years
- Increase in book value per share in the last two years
- It has decreasing Promoter pledge
- It has high EPS Growth
- It is efficient in managing Assets to generate Profits - ROA improving since last 2 year.

Weakness

- There has been a decline in net profits.
- Company is not able to generate net cash
- Highest since the 52-week high dropped
- Supreme Commitment to Promoting Actions
- There has been a decline in the Net Profit with falling Profit Margin

Opportunities

- There is high volume , high gain
- Positive breakout (LTP > R1)
- Stock with Low PE (PE < = 10)
- Expert stock appraiser: Benjamin Graham Value Screening
- Profit companies from companies with high ROCE and low PE

Threats

- Increasing Trend in Non-Core Income
- Risk of imitability
- Company can't prevent a recession.
- Possible breakdown in global energy supply

PORTER'S FIVE FORCES

THREAT OF NEW ENTRANTS

The company has less threat of new entrants because of the massive capital requirements and the downtrend the Infrastructure sector if facing.

- ECONOMIES OF SCALE:
  New entrants do not find it easy to ply with economies of scale because of the huge costs that are involved. There is a lack of availability of financing from financial institutions for the new company.
- PRODUCT DIFFERENTIATION
  The structures used by Real Infra are mostly pre-determined during the contract by the issuer. This makes it difficult for new entrants to make and impact until cost reduction is involved with those designs.
- CAPITAL REQUIREMENTS
  A new entrant would find it difficult to raise the huge amount of capital requirement without any credit history to borrow such amount of money at reasonable rate of interest.
- CUSTOMER LOYALTY

Real infrastructure has years of experience in the field and its successful execution of projects, which makes it difficult for any new entrant to take their customers.

- GOVERNMENT POLICIES

  Strong entry and exist barriers from government side in terms of policies and regulations might act as road blocker for the new players.

BARGAINING POWER OF THE SUPPLIERS

Being in a business which requires procurement of multiple inputs like cement, steel, sand, construction equipment etc. makes them vulnerable to threats from suppliers.

- CONCENTRATION OF THE SUPPLIERS

  The high number of buyers acts as an advantage for the suppliers. It gives them power to be Price giver or to bargain.

- DIFFERENTIATION OF THE INPUT AND SWITCHING COSTS

  There is absence of differentiation and less switching costs of the inputs procured form the suppliers make them have a higher hand over the suppliers.

- IMPORTANCE OF THE INDUSTRY TO THE SUPPLIER GROUP

  The suppliers are placed in a non- bargaining position as the segment of business Real Infra is in (Metros, civil, Highways) is not the only part of their(suppliers) business they also have customers from residential housing, commercial and other entities.

BARGAINING POWER OF THE BUYERS

The competition involved in the procurement of the contracts are often through closed bids which places Real Infra in a tough spot but the bargaining power is moderate because of constraints like differentiation and innovation offered.

- OFFERING DIFFERENTIATION

  Real Infra is in a position to bargain as they are offering differentiation in terms of innovation in design and inputs used for the projects.

- IMPORTANCE OF QUALITY TO THE BUYER

- As the quality is of utmost importance to the buyer of the services .Real Infra’s major projects under taken involve handling of public and critical resources like water in case of irrigation projects, this places them in green zone to negotiate.

THREAT FROM SUBSTITUTES

The services provided by firms like Real Infra do not have any near substitutes to replace. 3D printing technology is the only possible threat that has been seen in recent times. Its ability to construct houses but the threat is far from reality as of now since the projects (like metro, civil) involves custom designs and hand finishing because of their life and resource critical aspects.

INDUSTRY RIVALRY

Real Infra is having a pretty much competition in Infrastructure sector but when it comes to rivalry in the area of business and size, the list reduces to less number of opponents. Offering of almost standard products by the industry players with no much differentiation except in design aspects makes the rivalry less intense.

Sensitivity analysis

It is the technique used to determine how independent variable values will impact a particular dependent variable under a given set of assumptions. It studies how various sources of uncertainty in a system contribute to the model's overall uncertainty.

There are 2 approaches of analysis

- Local Sensitivity Analysis
- Global Sensitivity Analysis

Need for Sensitivity analysis

- It helps to make sound and informed decisions.
- It is useful to analyse risk which each project or decision contains.
- It guides future data collections

- ❖ This analysis enables optimum allocation and utilization of resources.
- ❖ It enables in-depth study of all the variables.
- ❖ It increases the understanding of the relationship between input and output variables.
- ➢ Profit earnings ratio

Increase in PE ratio implies that the stocks of a company are being over value.

Decrease in PE ratio implies that the stocks of a company are being undervalued.

- ➢ Operating profit ratio
- Increase in operating profit ratio implies

Increase in operating profit with revenues unchanged

Net sales and profit margin has increased

- Decrease in operating profit ratio implies

Change in OP ratio with net sales unchanged

Net sales and profit margin has decreased

- ➢ Fixed Assets Turnover Ratios
- Increase in Fixed asset turnover ratio implies

Company spent less money in fixed assets in comparison of sales revenue.

- Decrease in Fixed asset turnover ratio implies

Company has spent more less money in fixed assets than compared to their sales revenue.

- ➢ Debt-to- Equity ratio
- Increase in Debt-to-Equity ratio implies

Company is financing its growth through debts. This indicates that the stocks are a risk for the shareholders.

- Decrease in Debt-to-Equity ratio implies

Decrease in debt while equity is the same.

- ➢ Quick Ratio
- Increase in Quick ratio implies

Company is in a good liquidity state and the financial condition of company is safe.

- Decrease in Quick ratio implies

Company is in risk and will be struggling to pay the debts.

Blue ocean strategy

- It depicts all those industries which have not yet come into existence these are unknown and untapped market space.
- In this the demand has to be created.
- There is ample opportunity for rapid growth.
- In this market the rules are yet to be set.
- It follows " Value Innovation" concept

Blue ocean strategy tools

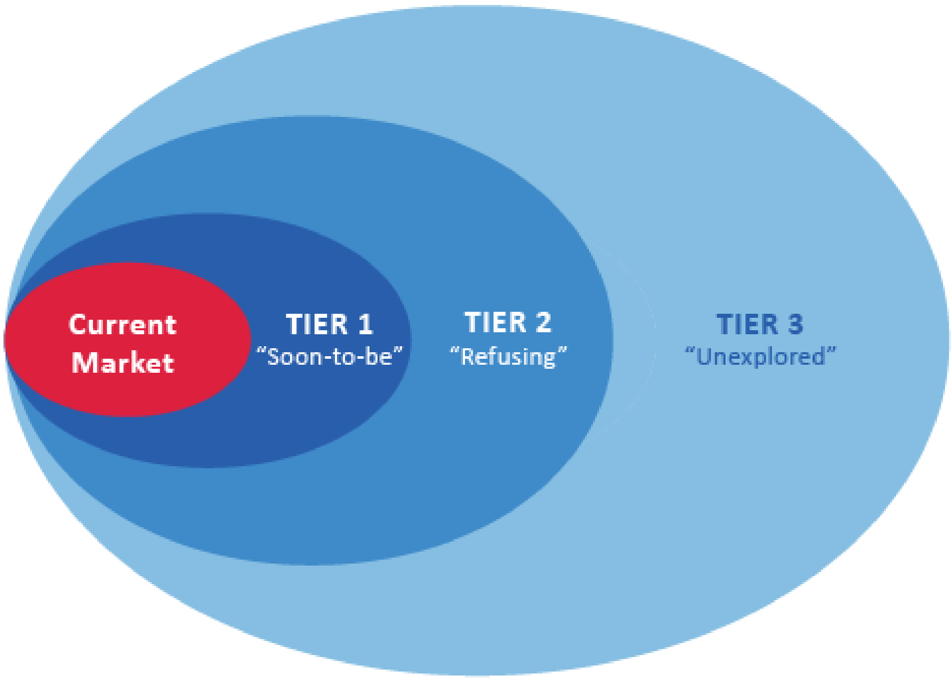
- Value Innovation is the concurrent quest for differentiation and low cost, making a jump in an incentive for the both purchasers and the organization.
- Strategy Canvas is a central diagnostic tool which graphically shows the current strategic landscape and the future prospects for an organization.

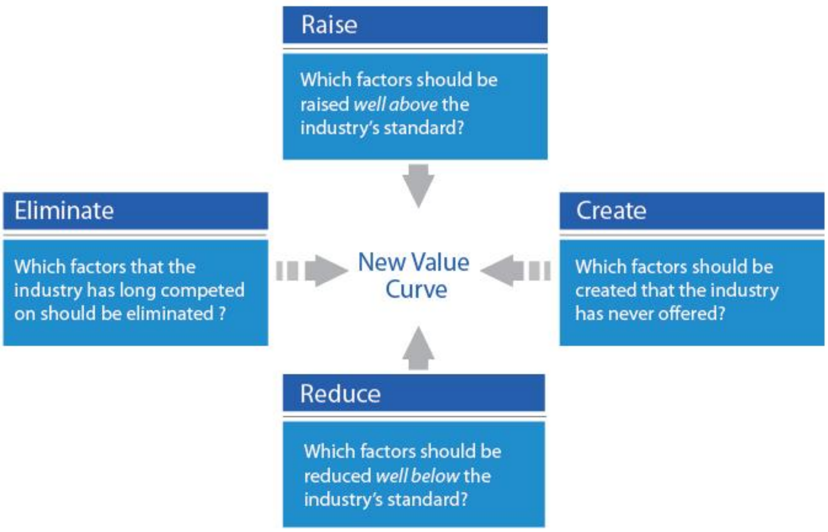
The Four Actions Framework is used to break the trade-off between differentiation and low cost in creating a new value curve

- The Eliminate-Reduce-Raise-Create (ERRC) Grid is a straightforward network like device that drives organizations to concentrate all the while on wiping out and decreasing, just as raising and making while at the same time unlocking a new blue ocean.

- The Six Paths Framework enables them to successfully identify out of the haystack of possibilities that exist.

- The three tiers of noncustomers. It is typically the companies grow their share market as well as try to retain the existing customers.


Current Market
TIER 1
"Soon-to-be"
TIER 2
"Refusing"
TIER 3
"Unexplored"


Raise
Which factors should be raised *well above* the industry's standard?
Eliminate
Which factors that the industry has long competed on should be eliminated ?
New Value Curve
Create
Which factors should be created that the industry has never offered?
Reduce
Which factors should be reduced *well below* the industry's standard?

Difference between Red ocean and Blue ocean strategy

RED OCEAN	BLUE OCEAN
They compete in existing markets	They create uncontested market space.
Exploitation of existing demand	Creation and capturing new demand
Try to beat the competition	No relevance with competition
Strategic choice of differentiation or low cost	Pursuit of differentiation and low cost.

FCF Model

Values in Crores	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Cash from Operating Activity	**-22.00**	**265.00**	**83.00**				
Profit from operations	255.00	326.00	438.00				
Working Capital Changes	-202.00	7.00	-281.00				
Taxes paid	-75.00	-68.00	-74.00				
Cash from Investing Activity	**65.00**	**-323.00**	**-108.00**				
Fixed Assets Purchased	-136.00	-281.00	-110.00				
Fixed Assets Sold	0.00	3.00	1.00				
Investments purchased	0.00	-15.00	-24.00				
Investments sold	179.00	0.00	9.00				
Cash from Financing Activity	**10.00**	**55.00**	**-1.00**				
Proceeds from Shares	0.00	0.00	0.00				
Proceeds from Borrowings	90.00	0.00	97.00				
Repayment of Borrowings	0.00	-39.00	-67.00				
Interest Paid	-66.00	-70.00	-94.00				
Dividends Paid	-18.00	-18.00	-18.00				
Net Cash Flow	**53.00**	**-3.00**	**-27.00**				
Ideally Cash Flow							
Actuals							
Cash from Operating Activity	-22.00	265.00	83.00				
Cash from Investing Activity	43.00	-293.00	-124.00				
Cash from Financing Activity	16.00	-127.00	-82.00				
Net Cash Flow	37.00	-155.00	-123.00				
Diff Cash from Operating Activity	0.00	0.00	0.00				
Diff Cash from Investing Activity	-22.00	30.00	-16.00				
Diff Cash from Financing Activity	6.00	-182.00	-81.00				
Diff Net Cash Flow	-16.00	-152.00	-96.00				
To Fill Data ONLY in the YELLOW FIELDS							

Capacity Planning

Capacity planning is the planning for amount or size of yield in a particular period.
It is used to determine the kind of requirement of human and material resource and the timing of their requirement.

Considerations for capacity planning

- Level of demand
- Cost of production
- Availability of funds
- Management policy

Importance of Capacity Planning

- Ensuring Availability

  It gives direction to proceed with project in such a way that there is availability of all the required sources and clients are not disappointed.

- Skill Management

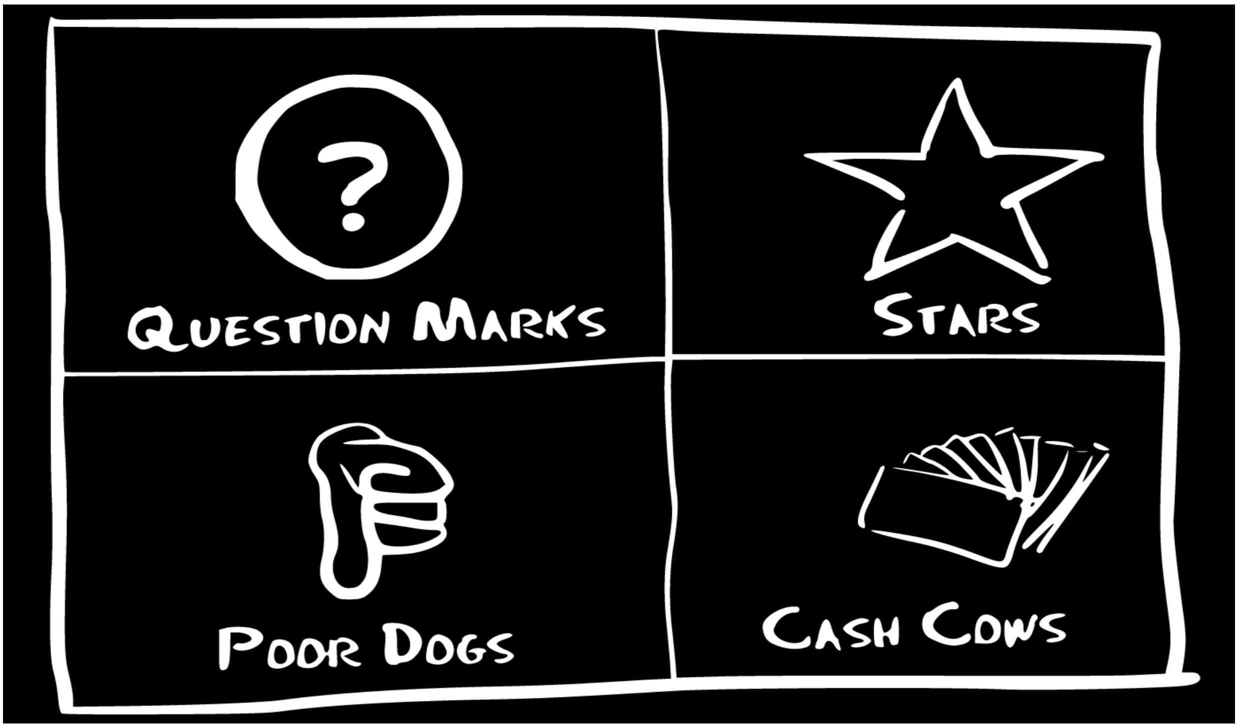
  It helps in understanding the skills a team has and work accordingly.

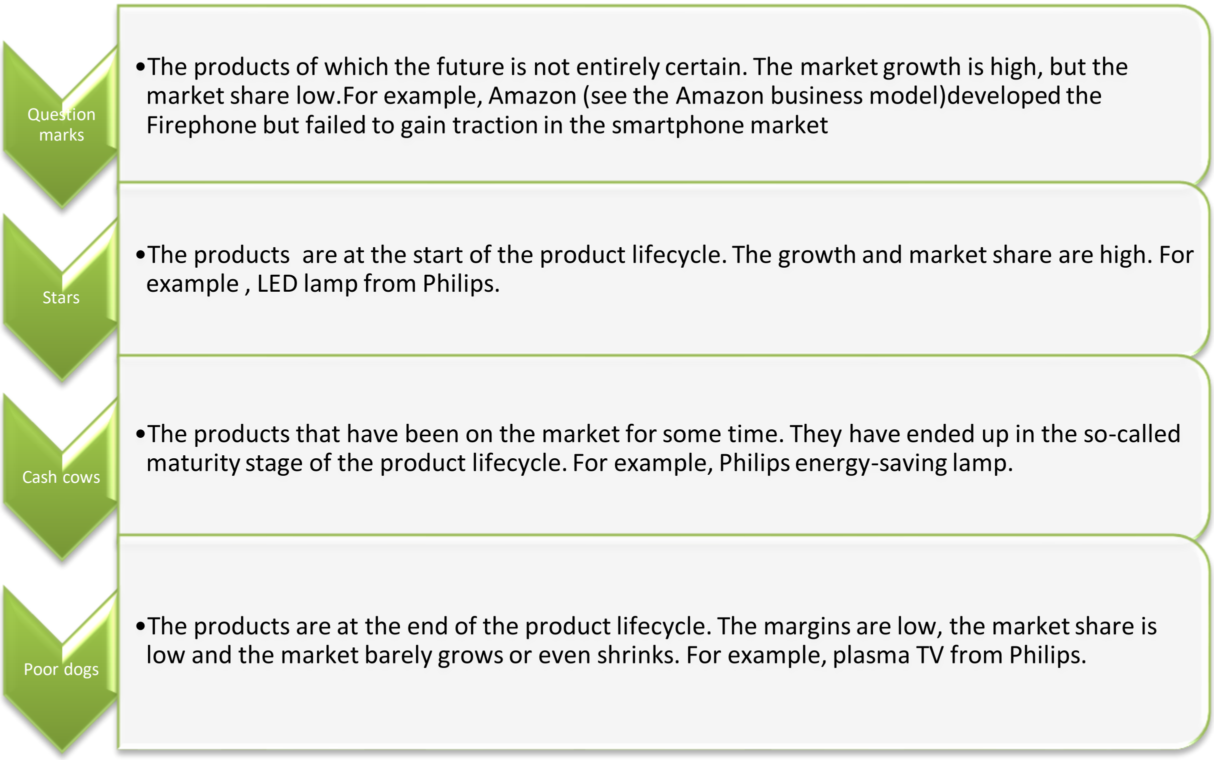
- Identification of skill gaps

  Capacity planning allows the company to identify their problem early.
  Giving them the opportunity to prepare their team in advance for future opportunities that may arise

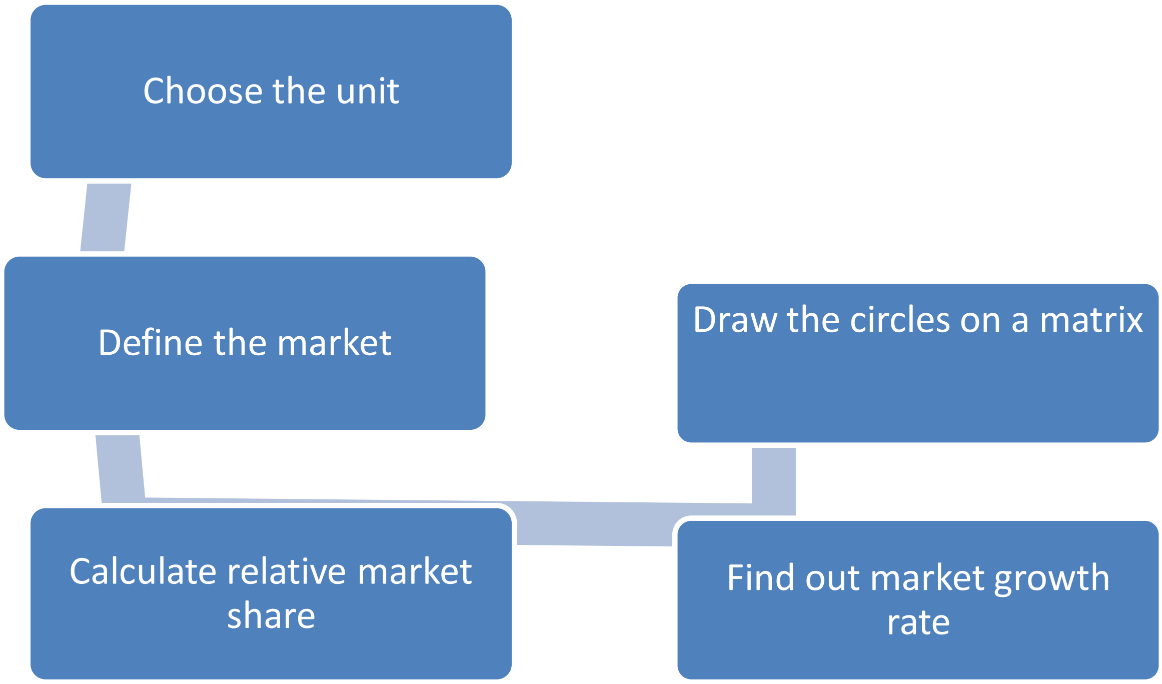
BCG growth matrix

- It is a business tool, which uses relative market share and industry growth rate factors to evaluate the potential of business brand portfolio and suggest further investment strategies.
- The purpose of the analysis is to help understand, which brands the firm should invest in and which ones should be divested.
- There are 4 quadrants in the matrix. The horizontal axis represents the amount of market share of a product and its strength in the particular market. The vertical axis represents the growth rate of a product and its potential to grow in the market.





❖ Steps of using the tool



EPS Forecasting

Narration	Mar-16	Mar-17	Mar-18	Mar-19	Trailing	Best Case	Worst Case	Mar-20
Sales	**1,408.63**	**1,604.26**	**2,050.72**	**2,787.09**	**3,060.74**	**3,787.87**	**3,260.31**	**3,062.52**
Expenses	1,160.35	1,353.66	1,729.51	2,350.80	2,589.70	3,195.12	2,758.56	2430.73
Operating Profit	**248.28**	**250.60**	**321.21**	**436.29**	**471.04**	**592.75**	**501.75**	**631.79**
Other Income	17.47	31.10	28.53	28.12	29.87	-	-	28.12
Depreciation	51.21	55.65	72.74	102.22	116.68	116.68	116.68	88.77
Interest	61.65	66.20	70.34	93.90	103.78	103.78	103.78	97.87
Profit before tax	152.89	159.85	206.66	268.29	280.45	372.29	281.29	473.26
Tax	54.39	52.53	70.11	91.23	70.61	25%	25%	119.12
Net profit	**98.50**	**107.32**	**136.55**	**177.07**	**209.84**	**278.56**	**210.47**	**354.14**
EPS	13.01	14.18	18.04	23.39	27.75	36.84	27.83	46.782
Price to earning	21.12	18.23	15.05	6.87	3.17	10.83	3.17	
Price	**274.75**	**258.50**	**271.40**	**160.65**	**87.95**	398.90	88.21	
RATIOS:								
Dividend Payout	15.36%	14.10%	11.08%	9.61%				
OPM	17.63%	15.62%	15.66%	15.65%	15.39%			

- Bottom Up approach is followed.
- EPS is assumed to be twice of last year.

Rate of interest on long term debt except convertible debentures	9.8%
Rate of interest on convertible debentures	14%
Rate of interest on short term borrowings	10.79%

Narration	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21
Sales	**764.24**	**949.19**	**931.56**	**1,000.68**	**1,186.78**	**1,343.18**	**1,408.63**	**1,604.26**	**2,050.72**	**2,787.09**	**2942.75**	**3,461.16**
Expenses	635.10	805.74	781.60	833.30	980.96	1,092.63	1,160.35	1,353.66	1,729.51	2,350.80	2468.900809	2903.83864
Operating Profit	**129.14**	**143.45**	**149.96**	**167.38**	**205.82**	**250.55**	**248.28**	**250.60**	**321.21**	**436.29**	**473.8491913**	**557.325586**
Other Income	5.24	7.08	6.72	8.85	10.81	13.05	17.47	31.10	28.53	28.12	28.25	28.25
Depreciation	14.47	15.85	18.88	24.41	34.76	47.35	51.21	55.65	72.74	102.22	122.39	143.984432
Interest	14.81	27.71	36.62	40.64	57.64	76.76	61.65	66.20	70.34	93.90	94.79	94.79
Profit before tax	105.10	106.97	101.18	111.18	124.23	139.49	152.89	159.85	206.66	268.29	284.9191913	346.801154
Tax	35.13	33.05	33.11	35.44	40.18	45.10	54.39	52.53	70.11	91.23	71.69952503	117.912392
Net profit	**69.97**	**73.92**	**68.07**	**75.74**	**84.05**	**94.39**	**98.50**	**107.32**	**136.55**	**177.07**	**213.2196662**	**228.888762**
EPS	12.58	13.29	12.24	13.62	15.12	14.63	13.01	14.18	18.04	23.39	28.17924276	28.63
Price to earning	7.99	4.85	7.08	7.12	5.72	23.34	21.12	18.23	15.05	6.87	3.135286521	
Price	**100.60**	**64.43**	**86.63**	**97.00**	**86.50**	**341.53**	**274.75**	**258.50**	**271.40**	**160.65**	**88.35**	

EPS forecasting using Top down approach

- The forecasting was done using the March 20 data. The data of previous three quarters. Last quarter's sales were not more than 850Cr.Expenses are assumed to be .84(approx.) of sales. Depreciation was charged at 13% using WDV method. Tax charged at 34%.
- In the year 2021,

  Sales = 117.5% of previous year, 17.5% average of past three year's change in sales.

  Expenses = .845 of sales

  Depreciation = 13% using WDV method

  Tax= 34%

  No of shares= 1.0565 of 75665506.

in Crores	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12
Sales	935.00	1028.50	1131.35	1244.49	1368.93	1505.83	1656.41	1822.05	2004.26	2204.68	2425.15	2667.66
EBDITA	150.55	165.61	182.17	200.38	220.42	242.46	266.71	293.38	322.72	354.99	390.49	429.54
PAT	66.67	73.34	80.67	88.74	97.61	107.37	118.11	129.92	142.92	157.21	172.93	190.22
Annualised EBITDA	602.20	662.42	728.66	801.53	881.68	969.85	1066.83	1173.52	1290.87	1419.96	1561.95	1718.15
Annualised PAT	266.68	293.35	322.69	354.96	390.45	429.50	472.45	519.69	571.66	628.83	691.71	760.88
Fund Requirement	42.50	46.75	51.43	56.57	62.22	68.45	75.29	82.82	91.10	100.21	110.23	121.26
Valuation Bench mark												
EBDITA	3011.00	3312.10	3643.31	4007.64	4408.41	4849.25	5334.17	5867.59	6454.35	7099.78	7809.76	8590.73
PAT	2666.84	2933.52	3226.88	3549.56	3904.52	4294.97	4724.47	5196.92	5716.61	6288.27	6917.10	7608.81
Whichever is Higher	3011.00	3312.10	3643.31	4007.64	4408.41	4849.25	5334.17	5867.59	6454.35	7099.78	7809.76	8590.73
Equity Dilution %	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41	1.41
Total Equity Dilution	1.41	2.82	4.23	5.65	7.06	8.47	9.88	11.29	12.70	14.11	15.53	16.94
Balance Equity to Promoter	98.59	97.18	95.77	94.35	92.94	91.53	90.12	88.71	87.30	85.89	84.47	83.06

Valuation using 5GP10NP

- Sales = 1.1 of previous quarter’s sales
- EBITDA= 1.1 of previous quarter’s EBITDA
- PAT= 1.1 of previous quarter’s PAT
- Funds required = .5 of change is current quarter’s sale
- Equity dilution: percentage of equity diluted due to raising funds.

Forecasting for the Financial Year (FY) 2020:

As the results of the 3 quarters of the FY 20 are already out we have forecasted the financials of the Real infra ltd. infra ltd. for the Quarter 4 i.e. ending on the March 2020.In order to do the fare estimation of the 4th quarter we have taken the quarterly results of the NKR Construction(NKRC) and identified the trend in the growth of both the companies. The reason for choosing NKRC is because of its presence in the same line of business as Real infra Ltd. (in Roadways, Flyovers, Bridges, Irrigation etc.) and its revenue pattern that is in the range of Real infra ltd. We have estimated the growth based on the correlation of their growth and forecasted the revenue for the quarter 4 for Real infra ltd. and similarly we have estimated the expenses, interest, depreciation and tax based on our conclusions and facts of the previous quarter’s financials of Real infra ltd. We have not considered the impact of the Covid19 pandemic in the FY2020 as it is only in the last week of March there is an impact on the operation due to lockdown.

Assumptions	2020	2021	2022
Sales		85%	120.00%
Material Expenses of Sales		52%	52%
Employee Expenses		210.3	293.31
Other Expenses		630.37296	678.503
Tax	25%	25%	25%
Net Block		786	
		16%	
		112.8611755	
Total Debt	701.1	721.1	
Rate	13.5%	12.5%	

Forecasting for the Financial Years (FY) 2021 & 2022:

We have considered the impact of the pandemic in the FY2021 in the operation of the company. Based on the analysis and facts mentioned in the various reports of some organizations like CRISL and PMG that highlighted the impact of the current crisis on the Infra sector, we have taken the impact as negative 15% growth of the revenue in the next financial year i.e. FY2021.

The snapshot shows the key assumptions we have taken while making the forecast for the next 3 years.

For FY22 we have assumed that the infra sector will take a 'V' shaped recovery irrespective of others sectors due to the push from the government in the form of new infra projects as this is the sector which creates income for many people who are in the poverty or below poverty line of the society.

Key Estimates &Assumptions				
		FY -2020E	**FY-2021E**	**FY- 2022E**
Closing order book		12085.3	13551.2375	15010.3625
Order book growth (%)		16.51%	12.13%	10.77%
New order booking		4500	4000	4500
Book to bill ratio		4.05376939	5.347633494	4.936198463
Total Revenue		2981.2500	2534.0625	3040.8750
Growth (%)		6.97%	-15.00%	20.00%
EBIDTA		479.77	375.68	471.34
Material expense		1,550.92	1,317.71	1,581.26
Employee expenses		250.15	210.30	293.31
EBIDTA margin (%)		16.09%	14.83%	15.50%
Depreciation		122.3900	96.04061712	117.2058226
Financial Charges		94.7900	120.6419637	140.8941934
PBT		291.7200	188.1245	242.3656
PBT Margin(%)		9.79%	7.42%	7.97%
Tax		72.9300	47.0311	60.5914
Tax Rate(%)		25%	25%	25%
PAT		218.7900	141.0933	181.7742
Net Margin(%)		7.34%	5.57%	5.98%

We have taken the percent of material expenses out of sales for the previous years and found it in the range of the 52% of the sales. For calculating the employee expense, we have considered the individual breakup that includes salary and wages, staff welfare funds, contributions to PF etc. With reference to the government order stating that the contributions to the pF will be reduced to 10% from the existing 12%, we have reduced the contributions by the same amount and changed the salary and wages amount by the same amount that is used for growth forecast that is negative 15%.

The picture represents the key assumptions and estimates we have considered while forecasting the rest of the financials for the next 3 years till FY 2022.

Though the EBITDA margin for FY2021 is decreased to 14.83% from 16.09% in FY2020, it again rebounded to 15.50% in FY2022. Whereas the profit margin slumped to 7.42% in the FY2021 and soured to 7.97 in the FY2022.

	17	18	19	20	21	22
Depreciation	55.65	72.74	102.22	122.3900	96.04061712	117.2058226
Gross block	616	893	1057	1191.191312	1025.675691	1199.691192
Depreciation rate	9.03%	8.15%	9.67%	10.27%	9.36%	9.77%
sales	1604.26	2050.72	2787.09	2981.2500	2534.0625	3040.8750
	38.40%	43.55%	37.92%	39.96%	40.48%	39.45%

For calculating the reserves and the retained earning we have considered that he company has paid the divided to the shareholders based on the divided payout ratio of the previosu years. After the dividend the rest of the earnings are added to the retained earnings.

For calualating the debt we have used the ratio of short term and long term debt concept and have forecatsed the debt for te hnext 3 years by keeping the ratio as 7:3.

For forecasting the depreciation expenses first we have forecasted the grossblock for the future based on the asset to turnover ratio of the previous years and then we have calcualted the depreciation of the forecasted gross block based on the average rate of depreciation of the previous 3 years.

The image of the Balancesheet shows the actual and forecatsed finacials of the financial years from 2017 to 2022.

Some elements like the Defererd tax, CWIP,investments are kept constant as previous years as these depend on the various actual scenarios making them almost impossible to forecast.

For calculating the inventory of the future years we have caluated the inventory as the percent of the material expenses and forecasted by taking the moving average for the previous 3 financial years.

Balance Sheet						
Year ending March (Rs Crores)	**FY 2017**	**FY-2018**	**FY-2019**	**FY-2020E**	**FY-2021E**	**FY-2022E**
SOURCES OF FUNDS						
Share Capital	37.8	37.8	37.8	37.8	37.8	37.8
Reserves	1353	1470.9	1629.7	1,817.99	1,936.90	2,089.47
Total Shareholders Funds	**1390.8**	**1508.7**	**1667.5**	**1,855.79**	**1,974.70**	**2,127.27**
Long Term Debt	53	215.3	228.6	206.59	283.98	326.40
Short Term Debt	383.8	365.1	462.5	482.04	662.62	761.60
Total Debt	**436.8**	**580.4**	**691.1**	**688.63**	**946.60**	**1,088.00**
Deferred Taxes	18.4	28.9	36.6	36.60	36.60	36.60
TOTAL SOURCES OF FUNDS	**1846**	**2118**	**2395.2**	**2,581.03**	**2,957.90**	**3,251.87**
APPLICATION OF FUNDS						
Net Block	511.4	716.1	778.8	1,068.80	929.64	1,082.49
CWIP	71.2	126.2	79.8	79.80	79.80	79.80
Investments	0.3	15	31.6	32.60	32.60	32.60
Other Non Current Assets	248.1	271.7	335.7	411.69	488.13	593.49
Total Non-current Assets	**831**	**1129**	**1225.9**	**1,592.89**	**1,530.16**	**1,788.38**
Inventories	643.6	814.3	918.7	968.80	804.86	932.67
Debtors	486.1	528.8	498.6	735.13	577.21	662.16
Cash & Equivalents	100.6	97.5	70.4	128.76	832.87	704.58
ST Loans & Advances, Others	63.8	78.8	33.8	33.80	33.80	33.80
Other Current Assets	638	713.1	749.9	287.87	258.22	285.47
Total Current Assets	**1932.1**	**2232.5**	**2271.4**	**2,154.37**	**2,506.96**	**2,618.68**
Creditors	180.3	329.2	397.6	356.78	322.19	371.95
Other Current Liabilities & Provns	736.8	914.3	704.6	809.45	757.03	783.24
Total Current Liabilities & Provns	**917.1**	**1243.5**	**1102.2**	**1,166.23**	**1,079.22**	**1,155.19**
Net Current Assets	**1015**	**989**	**1169.2**	**988.14**	**1,427.74**	**1,463.50**
TOTAL APPLICATION OF FUNDS	1846	2118	2395.1	2,581.03	2,957.90	3,251.87

For forecasting the debtors of the next years we have calculated the percent of debtor amount out of the total revenue for the previous years and have taken the moving average of the previous 3 years of this percentage.

The image shows the calculations of the different elements of the balance sheet

To estimate the creditors amount we have calculated the proportion of the creditors amount out of the material expenses of that year and have taken the moving average of the previous 3 years to calculate the propotrion and there by the creditors amount of that financial year.

	2017	2018	2019	2020	2021	2022
Inventory	643.6	814.3	918.7	968.7994785	804.8569	932.6745
Inventory% of expenses	66.63%	67.37%	53.40%	62.47%	61.08%	58.98%
Debtors	486.1	528.8	498.6	735.1335061	577.2125	662.1634
%sales	30.30%	25.79%	17.89%	24.66%	22.78%	21.78%
Creditors	180.3	329.2	397.6	356.7767934	322.1910	371.9495
Creditors % of Material Expenses	18.66%	27.24%	23.11%	23.00%	24.45%	23.52%

Below is the income statement till FY2022

Income Statement						
Year ending March(Rs Crores)	**FY 2017**	**FY-2018**	**FY-2019**	**FY-2020E**	**FY-2021E**	**FY-2022E**
Net Sales	1,604.30	2,050.70	2,787.10	2,981.25	2,534.06	3,040.88
Growth (%)	13.86%	27.83%	35.91%	6.97%	-15.00%	20.00%
Material Expenses	966	1208.7	1720.3	1,550.92	1,317.71	1,581.26
Employee Expenses	126.7	197.1	247.7	250.15	210.30	293.31
Other Operating Expenses	261.1	323.7	382.8	700.41	630.37	694.97
EBIDTA	250.5	321.2	436.3	479.77	375.68	471.34
EBIDTA(%)	15.6	15.7	15.7	16.09%	14.83%	15.50%
Depreciation	55.6	72.7	102.2	122.39	96.04	117.21
EBIT	194.9	248.5	334.1	357.38	279.64	354.13
Other Income	31.1	28.5	28.1	29.13	29.13	29.1300
Interest	66.2	70.4	93.9	94.79	124.58	146.93
PBT	159.8	206.6	268.3	291.72	184.19	236.33
Tax	52.5	70.1	91.2	72.93	46.05	59.08
RPAT	107.3	136.5	177.1	218.79	138.14	177.25
PAT	102.3	132.8	177.1	218.79	138.14	177.25
EPS	13.51	17.54	23.39	28.90	18.25	23.41
EPS Growth(%)	3.79%	29.81%	33.36%	23.54%	-36.86%	28.31%

Ratios:

Profitabilty(%)		FY 2017	FY 2018	FY 2019	FY 2020E	FY 2021E	FY 2022E
GPM	(Revenue-COGS)/Revenue	39.80%	41.10%	38.30%	47.98%	48.00%	48.00%
EBITDA Margin	EBITDA/REVENUE	15.61%	15.66%	15.65%	16.09%	14.83%	15.50%
EBIT Margin	EBIT/REVENUE	12.15%	12.12%	11.99%	11.99%	11.04%	11.65%
PAT Margin	PAT/REVENUE	6.38%	6.48%	6.35%	7.34%	5.45%	5.83%
RoE	RPAT/TOTAL EQUITY	7.71%	9.05%	10.62%	11.79%	7.00%	8.33%
Efficiency(%)							
Tax Rate		32.9	33.9	34	25	25	25
Asset Turnover	REVENUE/TOTAL ASSETS	0.83	0.92	1.23	1.38	1.01	1.16
Inventory days	365*INVENTORY/COGS	243.18	245.90	194.92	228.00	222.94	215.29
Debtor days	365*RECEIVABLES/REVENUE	110.59	94.12	65.30	90.00	83.14	79.48
Payable days	365*PAYABLES/REVENUE	41.02	58.59	52.07	43.68	46.41	44.65
Solvency							
D/E	DEBT/EQUITY	0.05	0.16	0.16	0.13	0.16	0.17
Interest Coverage	EBIT/INTEREST	2.94	3.53	3.56	3.77	2.24	2.41
EPS	EARNINGS/SAHRE PRICE	1.08	1.41	1.87	2.32	1.46	1.88
Valuation							
P/E	SHARE PRICE/EPS	87.29	67.25	50.42	40.82	64.65	50.38
DIVIDEND YIELD RATIO	DIVIDEND PER SHARE /SHARE PRICE	2.55%	2.55%	2.55%	4.26%	2.69%	3.45%

The above snapshot depicts the key ratios of the Real infra ltd. from FY2017 to FY2022

- There is a visible change in the EBDITA margin in the year 2021 it decreased and then gradually will increase.
- The rate of equity will also have a drastic impact in the year 2021. There will be a fall in the ROE.
- The EPS will also fall durimg the year 2021 due to the current panademic situations.
- There will be a drastic increase in the price of the shares.

Exploration of Alternatives

There are various alternatives for financing available.

- Equity financing – It is the process of raising finance through selling of shares.
- Debenture – These are debt instruments used by companies and government to issue loans. Companies can raise finance by selling debentures.
- Preferential share issue – It is an issue of shares or securities by listed or unlisted companies.

- QIP- Qualified institutional placement , a listed company can issue equity shares fully and partly convertible debentures, or any securities other than warrants which are convertible to equity shares to a qualified institutional buyer (QIB)

Criteria for Evaluation

In current pandemic situation, it is highly difficult to arrange for funds. So it is important that whatever funds the company raises should be quick and there should not be a huge cost incurred to raise the finance.

The companies need to ensure that when they are raising funds it is for longer duration as if the fund is raised for a shorter duration then the company would face difficulty in paying back.

The companies need to ensure that the value of the money of the shareholders should only appreciate ad not depreciate. As if the value depreciates then the goodwill of the company is lost and it will face difficulty in raising funds in future.

Evaluation of Alternatives

- Equity financing- Raising finance through equity will give the company **freedom from debt** as they do not need to pay instalments. Investors are more interested to provide **follow up funding** in case the company does well.
  Raising funds through equity is extremely **time consuming**. Also it is highly **costly** to issue shares. The **ownership is shared** with the shareholders who make decision making difficult.
- Debenture- Debentures are **preferred by the investor** as it less risky. Debentures are a **charge against the profits**. To issue debentures there is **requirement of huge fixed assets**. Debentures also affect the **capacity of raising loans**. It is difficult to raise loans when debentures have been issues.
- Preferential share issue- There is **no obligation to pay back** in case of bankruptcy.
  It **improves borrowing capacity**. It is **costly** to issues preference shares. If the dividend is not paid then **image in the market** is affected. During liquidation preference shareholders can claim in the profits

- QIP - QIP is the most opted method of financing.

The factors which make QIP as the most apt choice are:

- ✓ QIP can be raised within a **short time span**.
- ✓ There are fewer **rules and regulations**.
- ✓ There is a huge **cost difference** between QIP and other sources of funding in terms of legal fees.
- ✓ It provides to buy non-locking shares.

Conclusion

Nature of Solution

QIP is the most appropriate method of raising funds for an Infra company.

Recommendations and action plan

Process of QIP

- Preparation – Understanding and evaluating the performance of the company. Preparation of projections.
- Investor identification – Identify the target investor. Share relevant information.
- Team sheet – Meeting with promoters. Visiting the plant for inspection. Negotiations over the terms of transactions.
- Final negotiations and closing – Pre & post closure formalities.

Contingency Plan

As a contingency plan. It is suggested that the company issued equity shares as it relives the company from debt and also there are chances of follow up funding.