



Financial Review For FY17

Construction



The construction industry, which consists of building, infrastructure and industrial segments, is a key sector to propel India's growth. Out of the total demand for construction industry, 50 per cent comes from infrastructure sector (a third largest market in Asia) and the rest comes from industrial activities, residential and commercial development. Roads and highways are one of the most significant part of any country's infrastructure sector and these are also used as an indicator to measure any country's economic prosperity. India roads and highways market grew at a significant pace over the past few years, owing to increasing focus of Government of India towards building better infrastructure of roads and highways network for public and freight transportation.

According to the Ministry of Road Transport & Highways, a record 16,271 km of national highways have been awarded and 8231 km constructed during the financial year 2016-17. However, the government has missed its own target of 15000 km set for road construction during the same period. Delays in

land acquisition, environmental concerns and regulatory delays in clearances have acted as hurdles in the way of the ministry to meet its target. To overcome from the challenges of delays due to land acquisition the government has made some progress in addressing issues in the sector, such as streamlining the land acquisition process in some states.

Indian economy was hit by demonetisation last year, resulting in slowdown in the economy. The demonetisation drive aimed at curbing black money in the economy led to severe cash crunch in the country due to which the real estate sector was seriously affected as major transactions in this sector were cash driven.

However, this year India saw listing of its first InvIT fund of IRB Infrastructure, which helps to unlock liquidity in infrastructure investing. Real estate investment trusts (REITs) and InvITs, which are created mainly to invest in income-generating real estate and infrastructure assets, can raise ₹500

billion in the near future, as per recent report by CRISIL and ASSOCHAM. Moreover, to lift the construction sector, the government has allowed 100 per cent FDI in the sector.

To analyse the construction sector we have taken into consideration financial performances of 72 companies (a mixture of large-cap, mid-cap, and small-cap). As per the data, the construction sector has witnessed a muted revenue growth of 2 per cent YoY in FY17 to ₹1,35,064 crore.

While analysing large cap companies' financial performance, we found that India's largest real estate company DLF overcame the demonetisation blues and posted 23 per cent YoY revenue growth in FY17 to ₹32,050 crore. Also, India's leading infrastructure company IRB Infrastructure Developers posted 14 per cent YoY revenue growth despite temporary suspension in toll collection post demonetisation. On the other hand, Godrej Properties and Oberoi Realty posted 37 per cent and 20 per cent YoY decline, respectively, in their revenues in FY17.

In terms of large cap company' bottomline, Indiabulls Real Estate and NBCC (India) reported 17 and 14 per cent YoY net profit growth, respectively, in FY17. However, DLF and Oberoi Realty disappointed investors by reporting 39 and 11 per cent YoY dip in net profits, respectively, during same period.

Moreover, in the mid-cap and small-cap segments, Pune-based real estate firm Kolte-Patil Developers outshined on the revenue front, posting 145 per cent YoY growth in FY17 followed by Marathon Nextgen Realty and Man Infraconstruction which posted 95 and 90 per cent YoY revenue growth, respectively, in FY17.

Looking at the companies' bottomlines, Kridhan Infra, MEP Infrastructure Developers and Man Infraconstruction posted 387, 314 and 300 per cent YoY jump in their net profits, respectively, during FY17. But companies such as NCC and Poddar Housing and Development failed to gain the confidence of investors, posting 92 per cent and 80 per cent YoY decline, respectively, in their net profits.

The housing supply in India during 2017 is expected to rationalise because of cautious sentiments of developers, largely due to the demonetisation drive and the implementation of RERA. Housing sales are expected to remain sluggish in the first half of 2017. However, going forward, favourable government policies and lower interest rates in the economy are likely to drive growth in the real estate sector.

Moreover, government's various reforms (such as REITs, GST and RERA) are likely to improve the overall investment

sentiment and create more transparency in the real estate sector, which will help the sector to bounce back in the coming days. Also, the government's impetus on infrastructure development with an investment of ₹3,96,135 crore (announced in the Union budget 2016-17) bodes well for the sector.

Impact of RERA

From of May 1, 2017, the new law Real Estate Regulation Act (RERA) came into effect which is likely to bring in more transparency in the real estate sector.

Due to implementation of RERA, developers are likely to take cautious steps on new launches, as they need to make some changes in their business structure, operations and marketing strategy to comply with RERA norms. Ongoing projects must be registered with the respective state RERA authority within 90 days of the new law coming into effect. Thus, developers are bracing up to get all the required documentation and approval in place for the registration, reworking sale agreement, maintaining clear records of their projects, sales, setting up separate escrow account for each project, making provision for penalties, payments, etc. This will confine the revenue of the developers at the beginning of the project and, therefore, it will make developers to concentrate in fewer projects at any one given time.

The RERA will safeguard the interests of home buyer through rapid redressal system for their grievances and also strong consumer protection will be available to home buyers as they can now approach the Appellate Tribunal in case of any grievance. This will stimulate the interest of individual buyers to go for under construction project.

RERA has set in motion a more organised and transparent real estate sector, which would refurbish the image and perception of the Indian markets. This is likely to build confidence amongst end-user buyers and lift the sales in the coming years. Growing housing sales and transparent financial management through separate accounts for each project will also boost sentiments of institutional investors.

All projects which are less than 8 apartments or where the area of land is up to 500 square metres will not come under the scope of RERA. Developers of such projects need not make disclosures and they are also not mandated to comply with any of the RERA laws. Thus, small project developers will continue to be fragmented. Home buyers in such small projects will have to be very cautious while buying flats in such projects. Apart from RERA, the government's decision to give infrastructure status to affordable housing will help the sector to grow even faster. Hence, this would encourage private



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players to participate more in future. The affordable housing segment can serve as a revenue stream amid slower sales in other categories, especially luxury housing, due to demonetisation. Granting infrastructure status to affordable housing is significant as it will provide cheaper sources of finance to developers and also open up additional means for developers to raise funds. The segment will now be given priority lending status.

Even though demonetisation had an adverse impact on construction activity in the past few months as majority of the construction workers' wages were paid in cash, the Fitch group company said that it believes that robust growth will return in 2017 as work resumes on the large pipeline of infrastructure,

residential and non-residential projects in the country. For a country populous like India, improvement in infrastructure has become a necessity. Over the next decade, an estimated \$1.5 trillion is needed to create infrastructure, and for servicing and revamping existing infrastructure. Hence, the players in infrastructure sector are expected to benefit from the huge potential that still lies untapped.

With various initiatives such as 'Housing for All' and 'Smart Cities,' the government has been working on reducing the bottlenecks that delay growth in the infrastructure sector. The latest budgetary outlay for infrastructure spending has been increased to ₹3.96 lakh crore for various projects, including housing, railways, ports and irrigation.

Company	Market Cap	Sales			PBITD			Net Income		
		FY17	FY16	FY15	FY17	FY16	FY15	FY17	FY16	FY15
DLF	32,050	8,941	9,819	8,168	3,433	4,426	3,543	708	549	540
NBCC (India)	17,505	6,401	5,967	4,821	410	481	435	355	311	278
Oberoi Realty	12,797	1,161	1,444	940	570	704	531	379	426	317
Kajaria Ceramics	11,108	2,565	2,422	2,194	496	467	361	253	229	176
Godrej Properties	10,658	1,708	2,728	1,927	250	445	341	207	231	191
Prestige Estates Projects	9,079	4,862	4,718	3,518	920	1,126	1,093	379	351	332
Indiabulls Real Estate	8,042	2,844	2,786	2,737	645	858	707	357	305	248
IRB Infrastructure Developers	8,004	5,969	5,254	3,960	3,048	2,785	2,325	715	636	543
Phoenix Mills	6,309	1,872	1,810	1,685	847	821	793	168	82	35
Dilip Buildcon	6,032	5,331	4,349	2,772	1,160	1,065	849	358	197	81
Century Plyboards (I)	5,898	1,841	1,669	1,606	312	295	274	193	167	149
Sadbhav Engineering	5,403	4,654	3,922	3,491	1,262	848	629	-54	-47	-175
NCC	4,881	9,204	9,702	9,640	670	1,180	1,126	8	111	54
Hindustan Construction Company	4,063	9,948	8,853	10,415	842	1,303	1,302	-983	-318	-159
Cera Sanitaryware	3,998	1,021	944	-	172	151	-	99	83	-
Housing Development & Infrastructure	3,871	758	1,192	1,083	613	808	867	155	268	219
PNC Infratech	3,776	2,293	2,411	1,873	624	424	292	118	216	91
Sadbhav Infrastructure Project	3,679	1,404	762	529	869	497	313	-353	-261	-343
Omaxe	3,668	1,686	1,696	1,465	284	276	268	105	78	60
Sobha	3,570	2,268	1,878	2,455	453	517	632	161	153	238
Ashoka Buildcon	3,562	3,101	2,681	2,349	893	810	502	-10	58	81
Brigade Enterprises	3,427	2,058	1,700	1,331	574	523	403	167	130	95
Somany Ceramics	3,373	1,826	1,727	1,551	191	152	115	93	65	46
Greenply Industries	3,305	1,674	1,662	1,568	241	247	208	125	128	124
Jaiprakash Associates	2,931	13,903	17,407	19,812	1,638	4,836	6,280	-8,706	-3,345	-1,735
Sunteck Realty	2,857	960	794	317	348	258	148	204	163	68
KNR Constructions	2,823	1,713	1,038	944	264	217	140	99	126	70
ITD Cementation India	2,667	3,115	3,093	1,737	235	214	110	48	-59	19

Some of the key announcements in the Union Budget 2017-18 for construction and infrastructure:

- Total outlay of ₹396,135 crore dedicated for infrastructure in FY17-18.
- The outlay on roads increased from ₹57,976 crore in budget 2016-17 to ₹64,900 crore in budget 2017-18. In all, 2,000 km of coastal connectivity roads have been identified for construction and development.
- The expenditure of railways stands at ₹131,000 crore, which includes ₹55,000 crore to be provided by the government.
- For transportation sector as a whole, including rail, roads and shipping, ₹241,387 crore has been proposed.
- Addition of ₹20,000 crore to corpus of Long-Term Irrigation Fund set up at NABARD. This will take the total corpus of the Fund to ₹40,000 crore.
- Higher investment in affordable housing. Increase in the allocation for Pradhan Mantri Awaas Yojana – Gramin from ₹15,000 crore in 2016-17 to ₹23,000 crore in 2017-18.

Besides, infrastructure companies have been deleveraging their

balance sheets and are now looking healthier, allowing them to take on new projects.

Under 'Make in India', the government has made favourable amendments in foreign investment laws to promote participation of international companies to invest and participate in India's infrastructure projects. Moreover, Government of India has come up with several programmes which are aimed at improving logistics, stimulating investment in manufacturing and building affordable housing, which will trigger growth in the construction industry over the next few years.

Furthermore, implementation of hybrid annuity model in public private partnership (PPP) projects in roads and highways sector in the country is further expected to witness rising participation of project developers in the bidding process, which is expected to drive India roads and highways market, going forward.

Over the past few years, highways contributed lion's share in India's roads and highways sector due to major investments in

EPS			YoY Growth FY17 (%)				RONW			Equity		
FY17	FY16	FY15	Sales	PBITD	Net Income	EPS	FY17	FY16	FY15	FY17	FY16	FY15
3.9	3.1	3.0	-9	-22	29	26	2.5	2.0	2.0	356.8	356.7	356.4
3.9	25.9	23.2	7	-15	14	-85	20.9	20.7	20.8	180.0	120.0	120.0
11.2	12.6	9.7	-20	-19	-11	-11	6.6	8.0	6.8	339.5	339.3	328.2
15.9	28.8	22.1	6	6	10	-45	21.5	24.9	23.7	15.9	15.9	15.9
9.6	10.7	9.6	-37	-44	-11	-10	10.3	10.7	10.3	108.2	108.1	99.7
7.2	9.4	8.9	3	-18	8	-23	8.4	8.5	8.7	375.0	375.0	375.0
8.7	6.6	5.8	2	-25	17	31	4.5	4.0	3.5	87.2	92.3	85.0
20.4	18.1	15.5	14	9	13	13	13.6	13.2	12.4	351.5	351.5	351.5
11.0	5.3	2.4	3	3	106	106	7.7	5.0	2.1	30.6	30.6	29.0
25.9	16.8	6.9	23	9	82	54	20.8	19.6	10.1	136.8	117.1	117.1
8.7	7.5	6.7	10	6	16	16	27.1	31.5	38.4	22.3	22.3	22.3
-3.3	-2.7	-10.2	19	49	NA	NA	-3.1	-2.6	-11.4	17.2	17.2	17.2
0.6	2.0	1.0	-5	-43	-92	-71	0.2	3.1	1.6	111.2	111.2	111.2
-9.7	-4.1	-2.5	12	-35	NA	NA	0.0	-45.3	-30.4	101.1	77.9	64.6
76.3	64.2	-	8	13	19	19	19.1	19.8	-	6.5	6.5	-
4.2	6.4	5.2	-36	-24	-42	-35	1.4	2.4	2.0	434.0	419.0	419.0
4.6	42.1	22.9	-5	47	-45	-89	8.3	16.5	10.5	51.3	51.3	39.8
-10.1	-7.4	-11.0	84	75	NA	NA	-492.9	-22.6	-44.0	352.2	352.2	311.0
5.6	4.3	3.3	-1	3	34	30	4.9	3.8	3.0	182.9	182.9	182.9
16.6	15.6	24.3	21	-12	5	6	6.1	6.0	9.8	96.3	98.1	98.1
-0.6	3.1	5.1	16	10	NA	NA	-0.5	3.1	6.0	93.6	93.6	79.3
13.5	11.5	8.4	21	10	28	17	10.2	8.9	7.0	113.7	113.2	112.7
22.0	15.3	11.9	6	26	44	44	17.9	15.1	18.0	8.5	8.5	7.8
10.3	52.9	51.5	1	-3	-2	-81	16.2	21.1	25.5	12.3	12.1	12.1
-38.8	-13.8	-7.1	-20	-66	NA	NA	-228.5	-25.9	-11.8	486.5	486.5	486.5
34.0	27.1	11.4	21	35	25	25	11.1	10.0	4.6	12.0	12.0	12.0
7.0	44.9	24.8	65	22	-22	-84	14.2	18.1	8.8	28.1	28.1	28.1
3.1	-3.8	12.5	1	10	NA	NA	8.7	-11.7	3.4	15.5	15.5	15.5



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Company	Market Cap	Sales			PBITD			Net Income		
		FY17	FY16	FY15	FY17	FY16	FY15	FY17	FY16	FY15
Gayatri Projects	2,641	2,301	1,634	1,509	294	422	350	-77	1	-32
HSIL	2,455	2,083	2,060	1,984	287	319	336	100	89	85
Ahluwalia Contracts (India)	2,346	1,435	1,263	1,072	173	174	126	86	84	64
Mahindra Lifespace Developers	2,189	831	877	1,148	50	218	486	102	93	266
Ashiana Housing	2,113	397	536	164	91	151	59	67	129	46
Anant Raj	1,844	495	477	491	141	154	257	77	64	142
Greenlam Industries	1,824	1,080	1,033	928	138	130	92	50	38	19
Jaypee Infratech	1,671	1,164	2,898	3,268	-387	594	1,350	-989	-298	350
Welspun Enterprises	1,606	415	308	901	-30	74	63	5	2	1
Puravankara	1,553	1,429	1,568	1,691	406	367	399	127	67	133
Man Infraconstruction	1,403	499	263	345	106	72	95	53	13	47
Kolte-Patil Developers	1,355	976	700	708	240	199	216	87	59	65
Unitech	1,326	1,776	2,072	3,720	-257	-606	1,062	-403	-903	-128
MEP Infrastructure Developers	1,171	1,815	2,048	2,041	1,289	596	477	109	26	-115
Asian Granito India	1,123	1,070	995	847	124	92	61	39	24	15
Rushil Decor	1,101	309	298	278	51	36	31	25	7	-1
Vipul	975	232	190	236	33	24	13	2	1	-7
Lanco Infratech	931	7,683	8,228	9,511	1,403	2,661	1,833	-2,049	-266	-2,037
Atlanta	921	257	161	543	141	13	117	57	-40	48
JMC Projects (India)	902	2,487	2,648	2,483	267	272	214	-42	-69	-24
Marathon Nextgen Realty	896	243	124	-	57	111	-	84	75	-
Hubtown	884	573	494	538	339	419	430	-66	-29	1
Vascon Engineers	823	539	659	637	-16	75	-81	1	6	-144
SKIL Infrastructure	808	43	44	88	-56	6	-11	-318	-483	-377
Arihant Superstructures	767	186	124	110	63	35	27	33	18	10
Shristi Infrastructure Development Corp.	743	203	204	158	67	59	50	2	2	3
Punj Lloyd	711	6,222	4,415	7,875	-1,016	-740	251	-920	-2,245	-1,141
IL&FS Engineering & Construction Co.	687	2,097	2,266	2,900	154	-71	316	-26	-326	-11
Nila Infrastructures	661	241	195	132	36	39	30	23	14	12
Reliance Industrial InfraStructure	660	109	101	100	35	33	36	16	15	22
B L Kashyap & Sons	636	926	884	865	72	92	50	-13	-6	-58
Prozone Intu Properties	624	73	95	68	20	31	21	6	7	-7
Poddar Housing and Development	598	61	155	119	-3	26	33	3	17	22
RPP Infra Projects	583	370	320	270	48	50	40	23	19	17
Parsvnath Developers	559	307	427	780	73	120	342	-149	-36	-108
Ganesh Housing Corporation	550	409	324	259	210	206	140	69	61	55
Texmaco Infrastructure & Holdings	542	35	31	23	6	18	11	21	18	10
Peninsula Land	535	390	382	303	-122	26	119	-217	-29	-9
Stylam Industries	528	295	250	214	44	31	23	18	12	9
RattanIndia Infrastructure	517	0	7	4	-5	1	0	-5	1	1
Kridhan Infra	490	707	496	660	105	73	76	98	20	29
Jigyasa Infrastructure	471	2	2	3	0	0	0	0	0	0
Future Market Networks	395	122	130	166	13	62	40	-27	-0	-78

this segment. Upgradation of state and national highways with length over 1000 km into expressways is expected to drive huge investments in expressways development. Moreover, north India dominated the roads and highways market in 2015 and is further expected to continue its dominance through 2025, owing to growing urbanisation and increasing investment in improving the road and highways infrastructure.

Looking at overall situation, increased transparency through government policies such as RERA, REIT and InvIT, easing FDI norms, demonetisation, GST, lower lending rates, and huge investment by government for building strong infrastructure lends confidence to invest in the sector for the long term.

EPS			YoY Growth FY17 (%)					RONW			Equity		
FY17	FY16	FY15	Sales	PBITD	Net Income	EPS	FY17	FY16	FY15	FY17	FY16	FY15	
-4.4	0.4	-10.5	41	-30	NA	NA	-11.3	0.2	-4.3	35.5	35.5	30.2	
13.9	12.3	11.8	1	-10	13	13	6.8	6.5	6.5	14.5	14.5	14.5	
12.8	12.6	9.6	14	-1	2	2	16.9	20.0	19.0	13.4	13.4	13.4	
24.9	22.7	64.9	-5	-77	10	10	6.0	6.0	18.0	41.1	41.0	41.0	
7.1	12.6	4.5	-26	-39	-48	-44	10.3	20.0	8.9	20.5	20.5	20.5	
2.6	2.2	4.8	4	-9	20	21	1.8	1.5	3.4	59.0	59.0	59.0	
20.6	15.6	8.0	5	6	32	32	17.1	15.4	8.8	12.1	12.1	12.1	
-7.1	-2.2	2.5	-60	NA	NA	NA	-19.1	-5.0	5.5	1388.9	1388.9	1388.9	
0.3	0.1	0.0	35	NA	187	180	0.4	0.1	0.0	147.3	174.0	173.3	
5.4	2.8	5.6	-9	11	90	90	5.2	2.9	5.9	118.6	118.6	118.6	
2.1	0.5	1.9	90	47	300	296	8.1	2.2	7.4	49.5	49.5	49.5	
11.5	7.8	8.6	39	21	48	48	10.1	6.7	7.8	75.8	75.8	75.8	
-1.5	-3.5	-0.5	-14	NA	NA	NA	-4.2	-9.0	-1.2	523.3	523.3	523.3	
6.7	1.6	-10.3	-11	116	314	314	1376.1	26.0	0.0	162.6	162.6	111.5	
13.0	10.7	6.6	7	34	61	21	9.8	6.8	5.1	30.1	22.6	22.6	
17.0	5.0	-0.5	4	40	243	244	23.4	8.9	-0.9	14.4	14.4	14.4	
0.2	0.1	-0.6	22	36	107	100	0.6	0.3	-1.6	12.0	12.0	12.0	
-7.5	-1.0	-8.3	-7	-47	NA	NA	-198.0	0.0	0.0	330.3	273.8	245.1	
7.0	-4.9	5.9	60	977	NA	NA	7.7	-5.8	6.6	16.3	16.3	16.3	
-12.5	-20.7	-9.3	-6	-2	NA	NA	-9.3	-14.1	-5.8	33.6	33.6	26.1	
29.6	26.5	-	95	-49	12	12	12.4	12.3	-	28.4	28.4	-	
-9.0	-4.0	0.1	16	-19	NA	NA	-4.0	-1.7	0.0	72.7	72.7	72.7	
0.1	0.4	-15.9	-18	NA	-80	-68	0.2	1.0	-27.8	167.7	161.3	90.5	
-14.7	-22.3	-17.4	-2	NA	NA	NA	-23.2	-27.2	-16.2	216.6	216.6	216.6	
7.9	4.3	2.5	51	80	84	84	30.3	23.7	16.4	41.2	41.2	41.2	
0.9	1.0	1.2	-1	13	-13	-13	0.4	0.5	0.6	22.2	22.2	22.2	
-27.7	-67.6	-34.4	41	NA	NA	NA	-49.8	0.0	-118.4	66.9	66.4	66.4	
-2.4	-26.9	-1.0	-7	NA	NA	NA	-59.1	0.0	-8.3	170.9	121.2	112.1	
0.6	0.4	0.3	23	-6	65	55	12.3	8.6	7.8	39.3	37.0	37.0	
10.9	10.2	14.6	8	6	7	7	5.2	6.0	8.9	15.1	15.1	15.1	
-0.6	-0.3	-2.8	5	-21	NA	NA	-3.4	-1.5	-14.3	20.5	20.5	20.5	
0.4	0.5	-0.4	-23	-38	-19	-19	1.1	1.3	-1.3	30.5	30.5	30.5	
5.2	26.4	34.3	-60	NA	-80	-80	1.4	7.4	10.3	6.3	6.3	6.3	
10.1	8.5	7.3	16	-5	18	18	11.0	10.4	10.1	22.6	22.6	22.6	
-3.3	-0.8	-2.5	-28	-40	NA	NA	-6.0	-1.3	-4.0	217.6	217.6	217.6	
15.9	18.6	16.9	26	2	14	-14	8.2	7.9	7.6	49.0	32.7	32.7	
1.0	1.4	0.8	15	-65	15	-31	3.9	3.5	1.9	12.7	12.7	12.7	
-7.8	-1.1	-0.3	2	NA	NA	NA	-13.7	-2.1	-0.6	55.8	55.9	55.9	
25.1	16.6	12.8	18	42	51	51	24.6	21.6	21.3	7.3	7.3	7.3	
0.0	0.0	0.0	-97	NA	NA	NA	-0.8	0.1	0.1	276.5	276.5	265.3	
13.3	2.7	4.3	43	44	387	386	35.2	11.4	19.0	14.8	14.8	13.6	
0.0	0.1	0.0	-16%	-67%	-79%	-73%	0.0	1.1	0.3	12.5	12.5	12.5	
-4.8	-0.1	-14.0	-7%	-80%	NA	NA	-20.6	-0.3	-49.5	56.2	56.2	55.9	