

Ashoka Buildcon

BSE SENSEX	S&P CNX
39,435	11,844
Bloomberg	ASBL IN
Equity Shares (m)	281
M.Cap.(INRb)/(USDb)	36.1 / 0.5
52-Week Range (INR)	186 / 93
1, 6, 12 Rel. Per (%)	-2/-10/-38
12M Avg Val (INR M)	39
Free float (%)	45.7

Financials & Valuations-Standalone (INR b)

Y/E Mar	2019	2020E	2021E
Net Sales	38.2	49.7	59.6
EBITDA	5.2	6.2	7.5
PAT	3.2	3.6	4.3
EPS (INR)	11.9	13.0	15.4
Gr. (%)	34.2	9.1	19.1
BV/Sh (INR)	78.8	90.2	103.8
RoE (%)	16.1	15.3	15.9
RoCE (%)	16.4	13.5	13.9
P/E (x)	10.8	9.9	8.3
P/BV (x)	1.6	1.4	1.2

Estimate change



TP change



Rating change



CMP: INR128

TP: INR175 (+36%)

Buy

Beat on all fronts supported by robust execution of projects

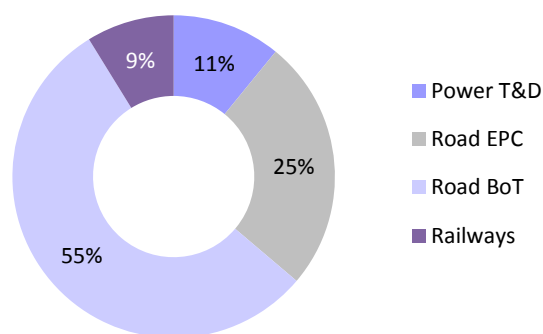
- **Better-than-expected execution drives operational beat:** 4QFY19 standalone revenues grew 86% YoY to INR13.1b (our est. INR9.6b); sales were supported by better-than-estimated execution of projects in hand. EBITDA grew 125% YoY to INR1.8b (our est. INR1.2b), with margins improving 240bp to 13.9% from 11.5% in the year-ago period. Reported profit declined 7% YoY to INR980m (our est. INR800m). During the quarter, ASBL provided for INR73m towards its exposure to GVR Infra (total exposure at INR806m); adjusting for this, PAT stood at INR1.0b (-2.5% YoY). Despite strong revenue growth (+86% YoY), Adj. Pat declined 2.5% YoY due to lower other income (INR380m v/s INR612m in 4QFY18) and higher tax rate (34.5% v/s 9.3% in 4QFY18).
- **Financial closure achieved for all HAM projects; appointed date awaited for three HAM projects:** ASBL has achieved financial closure for seven HAM projects and has appointed date in place for four projects. Appointed date for the balance three projects (Tumkur package I, II and Khanapur project) is expected by Jun'19. We expect strong execution pick-up from 2HFY20 and build in 30% revenue growth for FY20.
- **Order backlog provides robust revenue visibility:** ASBL's order backlog as at FY19-end stood at a healthy INR84b. This provides revenue visibility of 2.2x its FY19 EPC revenue. ASBL is the lowest bidder (L1) for the railway project and Tumkur package IV Ham project worth INR12.6b.
- **BoT portfolio declines 3% YoY:** ASBL's subsidiary Ashoka Concession's (ACL) BoT portfolio grew 1.0% YoY in 4QFY19. Traffic growth was impacted across projects due to weak economic activity and relaxation in axle load. ABL's BoT portfolio registered decline of 28% YoY due to expiry of the Hebbalu and Hattangiri Toll Collection project. Growth from ABL's continuing project portfolio also declined 1.0% YoY. Overall portfolio saw decline of 3% YoY.
- **Valuation view:** We cut our earnings estimate by 7%/9% for FY20/21 to factor in (a) delay in execution pick-up of three HAM projects where appointed date is yet to be received, and (b) the higher interest cost given the rise in debt (taken for the WC and equipment loan purpose). We maintain our **Buy** rating with SOTP-based TP of INR175.

Quarterly Performance

(INR M)

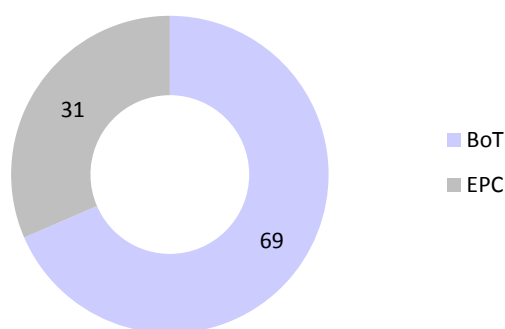
Y/E March	FY18				FY19				FY18	FY19	4QE	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				(%)
Net Sales	7,063	3,787	6,589	7,023	6,837	7,644	10,651	13,074	24,464	38,206	9,606	36
YoY Change (%)	50.8	-14.5	25.7	15.1	-3.2	101.9	61.6	86.2	19.6	56.2	36.8	
Total Expenditure	6,138	3,331	5,844	6,216	6,025	6,607	9,164	11,259	21,529	33,055	8,427	
EBITDA	925	456	746	807	813	1,037	1,487	1,815	2,935	5,152	1,179	54
Margins (%)	13.1	12.0	11.3	11.5	11.9	13.6	14.0	13.9	12.0	13.5	12.3	
Depreciation	113	130	144	144	136	166	202	260	532	763	205	
Interest	129	116	128	113	171	130	239	367	485	907	224	
Other Income	92	108	166	612	366	157	254	380	978	1,157	201	
PBT before EO expense	774	318	640	1,163	871	899	1,301	1,568	2,895	4,639	951	65
Extra-Ord expense	0	0	0	0	0	0	398	73	0	470	0	
PBT	774	318	640	1,163	871	899	903	1,495	2,895	4,169	951	57
Tax	205	41	170	109	232	278	281	516	524	1,307	151	
Rate (%)	26.5	13.0	26.5	9.3	26.7	30.9	31.2	34.5	18.1	31.4	15.8	
Reported PAT	569	277	470	1,054	639	621	622	980	2,371	2,862	800	22
Adj PAT	569	277	470	1,054	639	621	895	1,027	2,371	3,183	800	28
YoY Change (%)	84.7	-39.0	9.9	61.2	12.3	124.4	90.5	-2.5	28.6	34.2	-24.1	
Margins (%)	8.1	7.3	7.1	15.0	9.3	8.1	8.4	7.9	9.7	8.3	8.3	

Exhibit 1: Order book details –Segment wise (%)



Source: Company, MOFSL

Exhibit 2: Road segment order book bifurcation (%)

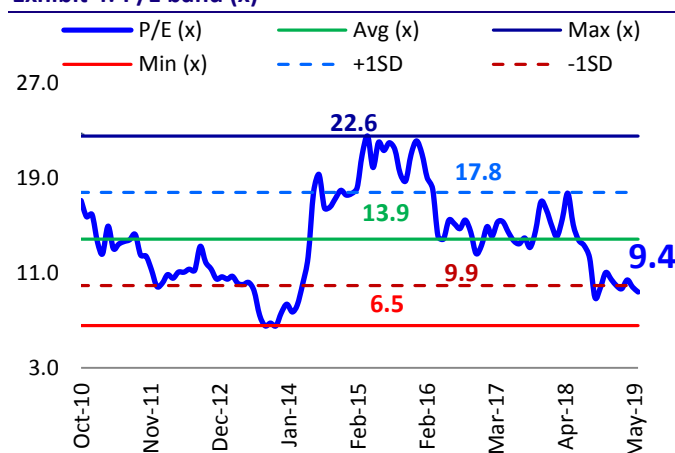


Source: Company, MOFSL

Exhibit 3: Quarterly toll collection data

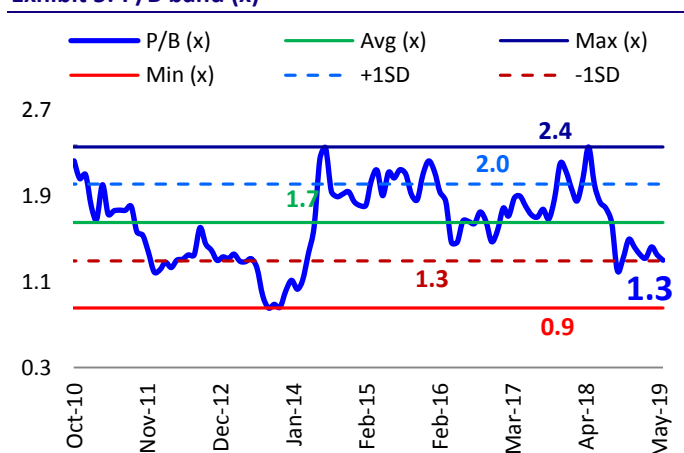
	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	YoY (% chg.)
ABL										
Ahmednagar - Aurangabad	63	64	64	80.6	69	94	71	78	75	8.1
Wainganga Bridge	78	75	71	77.3	80	75	71	74	79	-1.0
Katni Bypass	51	55	44	53	57	58	48	55	54	-5.3
Others	265	220	179	243	90	123	174	6.2	5.3	-94.1
Sub total	457	415	358	455	296	350	365	212	212	-28.1
ACL										
Belgaum Dharwad	192	214	208	231	224	230	218	233	235	4.6
Dhankuni – Kharagpur 1	735	786	757	783	849	893	888	867	884	4.0
Bhandara	153	156	150	168	174	167	160	168	178	2.1
Durg	193	190	185	202	207	195	193	199	207	-0.2
Jaora – Nayagaon	467	474	503	530	523	516	516	497	490	-6.4
Sambalpur	141	145	142	166	180	179.6	173	181	184	2.0
Sub total	1,880	1,966	1,945	2,080	2,158	2,181	2,148	2,146	2,177	0.8
Total	2,337	2,381	2,303	2,535	2,454	2,530	2,513	2,358	2,389	-2.6

Exhibit 4: P/E band (x)



Source: Company, MOFSL

Exhibit 5: P/B band (x)



Source: Company, MOFSL

Key highlights of the concall**BoT/HAM projects**

- The company witnessed traffic decline of ~3.0% on YoY basis, impacted by weak economic activity and relaxation in axle load.
- ASBL has received financial closure for all seven HAM projects. ASBL received appointed date for four HAM projects and expects to receive appointed date for the balance three projects by Jun'19.
- Land availability status: (a) Tumkur Shivmoga package-I—95% on 3G basis and 51% on 3H basis, (b) Tumkur Shivmoga package II—99% 3G basis and 37% on 3H basis.
- ASBL will invest incrementally INR3.6b in FY20 and balance INR2.0b in FY21 in the HAM projects.
- ASBL has INR840m exposure to GVR Infra, which has been admitted to NCLT. However, ASBL has security in place; 24% GVR Infra shares is pledged with ASBL for the Chennai ORR project, and hence, it believes it has covered its exposure.
- Expects revenue growth of 25-30% for FY20.

Asset monetization plans

- SBI Macquarie has received two years extension to exit from the ACL portfolio where it holds 39% stake.
- ASBL plans to monetize the ACL portfolio, its proceeds will be utilized as growth capital for new Ham projects.

Valuation and view

BoT portfolio valuation

We have valued the BoT portfolio at INR39 per share. Key assets contributing to the BoT assets fair value are Jaora Nayagaon (INR26 per share) and Dhankuni Kharakpur (INR11 per share). For the entire BoT portfolio, we have assumed average traffic growth of 5% through the lifecycle of the project. We have also considered toll hikes in line with the concession agreement entered by the SPV with the concerned authorities. We have used 14% as cost of equity for valuing the assets.

EPC business

We have valued ASBL's EPC business on a P/E basis, assigning 8x P/E multiple on FY21E basis, given (a) a strong and diversified order book of INR84b, providing 2.2x its FY19 revenue visibility, (b) healthy balance sheet with net debt: equity ratio of 0.3x:1, providing enough room to provide equity support if required to bid for the BoT projects, (c) self-sufficient BoT portfolio of ACL, limiting capital infusion requirement, and (d) robust revenue CAGR of 25% over FY19-21E; earnings CAGR of 14%. We value the company on an SOTP-basis, with target price of INR175.

Exhibit 6: Valuation methodology

INR m	Valuation Methodology	Multiple	@ 61%	Per Share Value
BOT Projects	DCF		10,897	39
EPC	P/E	8	35,448	125
Land	1x Book Value		2,782	12
Total			49,127	175

Source: MOFSL, Company

Change in estimates

We cut our earnings estimate by 7%/9% for FY20/21 respectively to factor in a) delay in pickup of execution of three HAM projects where appointed date is yet to be received and b) higher interest cost given rise in debt which is taken for the WC and equipment loan purpose.

Exhibit 7: Change in forecast

Description	New estimates		Old estimates		Change in est.	
	FY20	FY21	FY20	FY21	FY19	FY20
Sales	49,668	59,602	52,725	63,270	-6%	-6%
EBITDA	6,209	7,450	6,591	7,909	-6%	-6%
Margin	12.5%	12.5%	12.5%	12.5%	0%	0%
PAT	3,637	4,332	3,926	4,771	-7%	-9%
EPS	13.0	15.4	14.0	17.0	-7%	-9%

Financials and valuations

Standalone - Income Statement

	(INR m)				
Y/E March	FY17	FY18	FY19	FY20E	FY21E
Total Income from Operations	20,065	24,463	38,206	49,668	59,602
Change (%)	3.5	21.9	56.2	30.0	20.0
Raw Materials	15,992	19,524	30,300	39,238	47,086
Employees Cost	901	1,067	1,490	2,235	2,682
Other Expenses	745	938	1,265	1,987	2,384
Total Expenditure	17,638	21,529	33,055	43,460	52,152
% of Sales	87.9	88.0	86.5	87.5	87.5
EBITDA	2,427	2,934	5,152	6,209	7,450
Margin (%)	12.1	12.0	13.5	12.5	12.5
Depreciation	507	532	763	966	1,106
EBIT	1,919	2,402	4,389	5,243	6,344
Int. and Finance Charges	474	485	907	1,030	1,215
Other Income	719	978	1,157	1,215	1,336
PBT bef. EO Exp.	2,164	2,894	4,639	5,428	6,466
EO Items	0	0	-470	0	0
PBT after EO Exp.	2,164	2,894	4,169	5,428	6,466
Total Tax	403	524	1,307	1,791	2,134
Tax Rate (%)	18.6	18.1	31.4	33.0	33.0
Reported PAT	1,761	2,370	2,862	3,637	4,332
Adjusted PAT	1,761	2,370	3,332	3,637	4,332
Change (%)	18.7	34.6	40.6	9.1	19.1
Margin (%)	8.8	9.7	8.7	7.3	7.3

Standalone - Balance Sheet

	(INR m)				
Y/E March	FY17	FY18	FY19	FY20E	FY21E
Equity Share Capital	1,404	1,404	1,404	1,404	1,404
Eq. Share Warrants & App. Money	0	0	0	0	0
Total Reserves	15,824	17,860	20,717	23,914	27,723
Net Worth	17,228	19,263	22,120	25,318	29,127
Total Loans	1,768	1,251	7,364	9,364	10,364
Deferred Tax Liabilities	-304	-349	-518	-518	-518
Capital Employed	18,692	20,165	28,966	34,163	38,972
Gross Block	3,843	4,892	7,226	9,561	11,895
Less: Accum. Deprn.	2,155	2,665	3,427	4,393	5,499
Net Fixed Assets	1,688	2,227	3,799	5,168	6,396
Capital WIP	158	97	55	55	55
Total Investments	13,065	13,182	13,641	13,641	13,641
Curr. Assets, Loans&Adv.	19,285	23,414	35,073	45,982	55,700
Inventory	866	1,459	1,527	1,985	2,381
Account Receivables	5,875	10,117	15,513	20,167	24,201
Cash and Bank Balance	638	1,235	550	738	1,290
Loans and Advances	1,424	4,035	8,117	10,917	13,217
Other current assets	10,482	6,568	9,366	12,175	14,610
Curr. Liability & Prov.	15,505	18,754	23,602	30,682	36,819
Account Payables	5,693	5,927	8,867	11,527	13,832
Other Current Liabilities	9,184	12,223	14,035	18,246	21,895
Provisions	628	604	700	910	1,092
Net Current Assets	3,781	4,659	11,471	15,300	18,881
Appl. of Funds	18,692	20,165	28,966	34,164	38,973

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20E	FY21E
Basic (INR)					
EPS	6.3	8.4	11.9	13.0	15.4
Cash EPS	8.1	10.3	14.6	16.4	19.4
BV/Share	61.4	68.6	78.8	90.2	103.8
DPS	0.5	0.5	1.0	1.3	1.5
Payout (%)	10.2	7.6	12.1	12.1	12.1
Valuation (x)					
P/E	20.4	15.2	10.8	9.9	8.3
Cash P/E	15.8	12.4	8.8	7.8	6.6
P/BV	2.1	1.9	1.6	1.4	1.2
EV/Sales	1.8	1.5	1.1	0.9	0.8
EV/EBITDA	15.3	12.3	8.3	7.2	6.0
Dividend Yield (%)	0.4	0.4	0.8	1.0	1.2
FCF per share	11.5	12.3	-17.2	-1.2	4.6
Return Ratios (%)					
RoE	10.7	13.0	16.1	15.3	15.9
RoCE	11.5	14.0	16.4	13.5	13.9
RoIC	30.5	37.6	31.9	20.4	19.4
Working Capital Ratios					
Fixed Asset Turnover (x)	5.2	5.0	5.3	5.2	5.0
Asset Turnover (x)	1.1	1.2	1.3	1.5	1.5
Inventory (Days)	16	22	15	15	15
Debtor (Days)	107	151	148	148	148
Creditor (Days)	104	88	85	85	85
Leverage Ratio (x)					
Current Ratio	1.2	1.2	1.5	1.5	1.5
Interest Cover Ratio	4.0	4.9	4.8	5.1	5.2
Net Debt/Equity	0.1	0.0	0.3	0.3	0.3

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY17	FY18	FY19	FY20E	FY21E
OP/(Loss) before Tax	2,164	2,894	4,639	5,428	6,466
Depreciation	507	532	763	966	1,106
Interest & Finance Charges	474	485	907	1,030	1,215
Direct Taxes Paid	-403	-789	-1,307	-1,791	-2,134
(Inc)/Dec in WC	1,224	2,329	-7,496	-3,641	-3,029
Others	-281	-547	0	0	0
CF from Operations	3,686	4,904	-2,495	1,991	3,624
CF from Operating incl EO	3,686	4,904	-2,495	1,991	3,624
(Inc)/Dec in FA	-453	-1,446	-2,334	-2,334	-2,334
Free Cash Flow	3,233	3,458	-4,829	-343	1,290
(Pur)/Sale of Investments	-706	-83	-459	0	0
Others	-297	-1,812	0	0	0
CF from Investments	-1,456	-3,341	-2,793	-2,334	-2,334
Issue of Shares	0	0	0	0	0
Inc/(Dec) in Debt	-1,268	386	6,453	2,000	1,000
Interest Paid	-423	-389	-907	-1,030	-1,215
Dividend Paid	-180	-181	0	-439	-523
Others	4	-784	-943	0	0
CF from Fin. Activity	-1,866	-967	4,603	531	-738
Inc/Dec of Cash	363	597	-684	188	552
Opening Balance	274	638	1,235	550	738
Closing Balance	638	1,235	550	738	1,290

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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