

Ashoka Buildcon

BSE SENSEX	S&P CNX
34,951	10,524
Bloomberg	ASBL IN
Equity Shares (m)	281
M.Cap.(INRb)/(USDb)	34.7 / 0.5
52-Week Range (INR)	197 / 93
1, 6, 12 Rel. Per (%)	17/-33/-23
12M Avg Val (INR M)	72
Free float (%)	45.8

CMP: INR124
TP: INR 175 (+42%)
Buy

Beat on all fronts supported by robust execution

- Better-than-expected execution drives operational beat:** Standalone revenue grew 102% YoY to INR7.6b in 2QFY19, ahead of our estimate of INR4.3b. Sales were supported by better-than-estimated execution of projects in hand. Construction revenue grew 111% YoY supported by strong growth in the power T&D segment (+152% YoY to INR3.3b). EBITDA grew 127% YoY to INR1.0b, ahead of our estimate of INR518m, with margin improvement of 160bp to 13.6% from 12.0% in the year-ago period. Adj. PAT of INR621m, ahead of our estimate of INR362m, grew by 124% YoY.
- Order backlog provides robust revenue visibility:** ASBL's order backlog as of Sept'18 stood at a healthy INR98b (including HAM EPC of INR52b). This provides revenue visibility of 4.0x its FY18 EPC revenue. ASBL expects order inflow of INR40-50b from road, power T&D and railways sector in 2HFY19. Incrementally ASBL is L1 in orders worth INR7.9b for 2 packages of RVNL where the scope involves construction of electrical, signaling and telecommunications works for railways..
- BoT portfolio exhibits revenue growth 9% YoY:** ACL's BoT portfolio registered growth of 10.4% YoY in 2QFY19, led by robust revenue pick-up in Dhankuni Kharagpur (+ 17.3% YoY) and Sambalpur (+22% YoY). Traffic growth at Sambalpur project was led by a pick-up in mining activity, while that at Dhankuni was supported by traffic from the Haldia port. ABL's BoT portfolio registered tepid growth of 2% YoY given weak traffic witnessed in the projects.
- Valuation view:** We increase our operating profit estimate for FY19/20 by 4%/3%, respectively, to factor in better-than-estimated margins in the EPC business and raise our earnings estimate by 223%/62% for FY19/20. We maintain our **Buy** rating with SOTP-based TP of INR175.

Financials & Valuations-consol (INR b)

Y/E Mar	2018	2019E	2020E
Net Sales	36.0	42.7	55.7
EBITDA	11.4	12.5	14.5
PAT	-1.2	0.7	1.2
EPS (INR)	-4.2	2.6	4.2
Gr. (%)	NM	NM	66.1
BV/Sh (INR)	11.3	13.8	18.1
RoE (%)	NM	20.4	26.7
RoCE (%)	13.9	14.5	15.6
P/E (x)	NM	49.3	29.7
P/BV (x)	11.2	9.1	7.0

Estimate change

TP change

Rating change


Standalone Performance

(INR M)

Y/E March	FY18				FY19				FY18	FY19	2QE	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Net Sales	7,063	3,787	6,589	7,023	6,837	7,644	9,908	8,637	24,464	33,026	4,326	77
YoY Change (%)	50.8	-14.5	25.7	15.1	-3.2	101.9	50.4	23.0	19.6	35.0	14.2	
Total Expenditure	6,138	3,331	5,844	6,216	6,025	6,607	8,712	7,389	21,529	28,733	3,808	
EBITDA	925	456	746	807	813	1,037	1,196	1,247	2,935	4,293	518	100
Margins (%)	13.1	12.0	11.3	11.5	11.9	13.6	12.1	14.4	12.0	13.0	12.0	
Depreciation	113	130	144	144	136	166	146	138	532	586	146	
Interest	129	116	128	113	171	130	198	161	485	661	87	
Other Income	92	108	166	612	366	157	227	227	978	978	204	
PBT before EO expense	774	318	640	1,163	871	899	1,079	1,176	2,895	4,025	489	84
PBT	774	318	640	1,163	871	899	1,079	1,176	2,895	4,025	489	84
Tax	205	41	170	109	232	278	281	256	524	1,046	127	
Rate (%)	26.5	13.0	26.5	9.3	26.7	30.9	26.0	21.7	18.1	26.0	26.0	
Reported PAT	569	277	470	1,054	639	621	799	920	2,371	2,978	362	72
Adj PAT	569	277	470	1,054	639	621	799	920	2,371	2,978	362	72
YoY Change (%)	84.7	-39.0	9.9	61.2	12.3	124.4	69.9	-12.7	28.6	25.6	10.7	
Margins (%)	8.1	7.3	7.1	15.0	9.3	8.1	8.1	10.7	9.7	9.0	8.4	

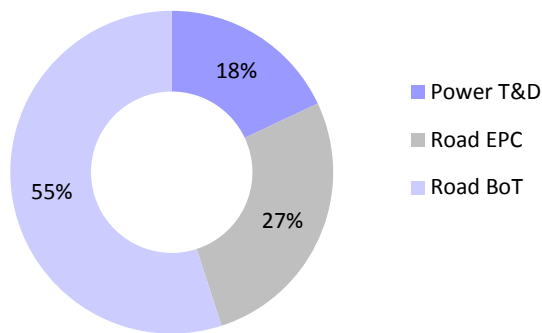
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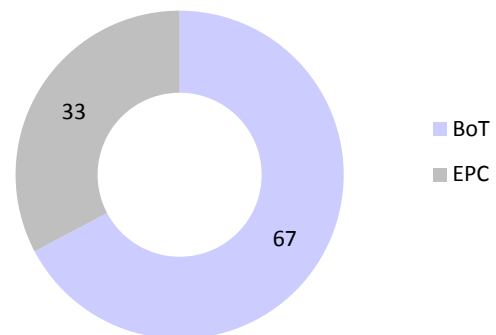
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Exhibit 1: Order book details –Segment wise (%)



Source: Company, MoSL

Exhibit 2: Road segment order book bifurcation (%)



Source: Company, MoSL

Exhibit 3: Quarterly toll collection data

	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	YoY (% change)
ABL										
Ahmednagar - Aurangabad	74	69	63	64	64	80.6	69	94	71	10.8
Wainganga Bridge	69	72	78	75	71	77.3	80	75	71	0.4
Katni Bypass	42	47	51	55	44	53	57	58	48	10.0
Others	155	219	265	220	179	243	90	123	174	-2.5
Sub total	340	407	457	415	358	455	296	350	365	2.0
ACL										
Belgaum Dharwad	178	188	192	214	208	231	224	230	218	4.8
Dhankuni – Kharagpur 1	651	638	735	786	757	783	849	893	888	17.3
Bhandara	146	148	153	156	150	168	174	167	160	6.9
Durg	179	184	193	190	185	202	207	195	193	4.1
Jaora – Nayagaon	425	452	467	474	503	530	523	516	516	2.7
Sambalpur	123	129	141	145	142	166	180	179.6	173	21.8
Sub total	1,702	1,739	1,880	1,966	1,945	2,080	2,158	2,181	2,148	10.4
Total	2,041	2,076	2,337	2,381	2,303	2,535	2,454	2,530	2,513	9.1

Exhibit 4: Change in estimates

	Old estimates			New Estimates		Change %	
	FY18	FY19	FY20	FY19	FY20	FY19	FY20
Sales	36,010	42,734	55,653	42,734	55,653	0.0	0.0
EBIDTA	11,395	12,019	13,997	12,515	14,453	4.1	3.3
EBIDTA Margin	32	28	25	29	26	1.2	0.8
PAT	(1,187)	222	737	718	1,192	222.7	61.9

Key highlights of the concall

BoT/HAM projects

- The company witnessed traffic growth of ~9 % on YoY basis, mainly led by a pick-up in traffic from projects such as Sambalpur and Dhankuni.
- From 4QFY18, the company started receiving annuity payment for the Mudhol-Nipani BOT project and the Chennai ORR BOT projects.
- ASBL has received financial closure for all five HAM projects. ASBL expects to receive appointment of three projects by end-3QFY19, and more two projects by 4QFY19-end.
- ASBL expects execution of the three HAM projects to start from 3QFY19-end, and the other two projects to begin in 4QFY19
- Land availability for three HAM projects is in excess of 80% (Ankleshwar, Khairtunda and Belgaum) where as for the Tumkur-Shivmoga package I and II, it is in the 50% range.
- ASBL has invested equity of INR1.9b in the new HAM projects and expects incremental INR3b in FY20 and balance INR1.4b in FY21.
- ASBL has INR840m exposure from GVR infra which has been admitted to NCLT. ASBL however has security in terms of its 24% share being pledged with them for the Chennai ORR project and hence believes that it covered its exposure.

CGD business

- Ratnagiri CGD circle is expected to start operating from 3QFY19, given that it is yet to receive a few certificates before becoming operational.

Equity requirement

- ASBL has equity requirement of INR6.5b for its new five HAM projects, including expected Price Index Multiple of INR1.8b. ASBL expects the equity to be deployed over the next two years.

Growth prospects in EPC business

- EPC business is expected to register 30-40% growth in FY19 given strong order backlog available for execution. From the HAM project, ASBL expects revenue booking of INR3-4b in FY19.

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 BoT portfolio, we have assumed average traffic growth of 5% for the entire portfolio through the lifecycle of the project. We have also considered toll hike in line with the concession agreement that each SPV has entered into with the concerned authority. 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 10x P/E multiple on FY20E basis, given (a) a strong and diversified order book of INR98b, providing 4.0x its FY18 revenue visibility, (b) healthy balance sheet with net debt: equity ratio of 0.1x: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 36% over FY18-20E; earnings CAGR of 21%, given a higher tax rate (33% v/s 18% in FY18).

ASBL is well placed to benefit from upcoming opportunities in the roads sector, given its well-funded balance sheet. Its healthy order book lends confidence on EPC revenue CAGR of 36% over FY18-20. We value the company on an SOTP-basis, with target price of INR175.

Exhibit 5: Valuation methodology

INR m	Valuation Methodology	Multiple	@ 61%	Per Share Value
BOT Projects	DCF		10,906	39
EPC	P/E	10	34,951	125
Land	1x Book Value		2,782	10
Total			48,640	175

Source: MOSL, Company

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY15	FY16	FY17	FY18	FY19E	FY20E
Total Income from Operations	23,197	28,253	29,728	36,010	42,734	55,653
Change (%)	29.2	21.8	5.2	21.1	18.7	30.2
Raw Materials	16,712	16,922	18,178	22,245	27,689	38,476
Employees Cost	754	958	1,182	1,411	1,552	1,707
Other Expenses	1,001	1,060	863	959	978	1,018
Total Expenditure	18,467	18,941	20,223	24,615	30,219	41,201
% of Sales	79.6	67.0	68.0	68.4	70.7	74.0
EBITDA	4,730	9,312	9,506	11,395	12,515	14,453
Margin (%)	20.4	33.0	32.0	31.6	29.3	26.0
Depreciation	1,517	2,688	2,640	2,914	3,206	3,665
EBIT	3,213	6,624	6,866	8,481	9,309	10,788
Int. and Finance Charges	2,721	7,930	9,078	9,938	7,423	7,560
Other Income	290	783	815	516	567	573
PBT bef. EO Exp.	782	-522	-1,397	-942	2,453	3,801
EO Items	0	-570	0	0	0	0
PBT after EO Exp.	782	-1,092	-1,397	-942	2,453	3,801
Total Tax	796	976	698	837	985	1,692
Tax Rate (%)	101.7	-89.4	-50.0	-88.9	40.2	44.5
Minority Interest	-828	-1,331	151	592	-750	-916
Reported PAT	815	-738	-2,247	-1,187	718	1,192
Adjusted PAT	815	-168	-2,247	-1,187	718	1,192
Change (%)	-28.0	-120.6	1,239.3	-47.2	-160.5	66.1
Margin (%)	3.5	-0.6	-7.6	-3.3	1.7	2.1

Consolidated - Balance Sheet

(INR m)

Y/E March	FY15	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	1,190	1,404	1,404	1,404	1,404	1,404
Eq. Share Warrants & App. Money	0	0	0	0	0	0
Total Reserves	12,379	5,647	3,291	1,756	2,473	3,666
Net Worth	13,569	7,050	4,695	3,159	3,877	5,069
Minority Interest	5,047	1,474	1,169	937	705	456
Total Loans	38,726	44,236	46,370	49,335	52,335	55,335
Deferred Tax Liabilities	-99	-255	-327	-394	-394	-394
Capital Employed	57,244	52,506	51,907	53,037	56,524	60,467
Gross Block	132,023	90,473	91,820	93,418	97,770	102,935
Less: Accum. Deprn.	6,311	8,652	11,292	14,206	17,558	21,223
Net Fixed Assets	125,712	81,822	80,528	79,212	80,212	81,712
Capital WIP	1,505	0	0	0	0	0
Total Investments	2,345	2,276	1,863	2,472	2,472	2,472
Curr. Assets, Loans&Adv.	16,947	21,925	25,322	33,418	41,537	50,178
Inventory	7,286	2,994	3,595	4,194	4,854	6,065
Account Receivables	3,644	5,161	4,910	8,155	8,629	10,782
Cash and Bank Balance	410	1,709	1,023	2,532	9,430	14,437
Loans and Advances	5,607	12,061	15,795	18,537	18,624	18,893
Curr. Liability & Prov.	89,265	53,517	55,806	62,064	67,697	73,894
Account Payables	6,332	5,400	5,744	6,493	7,119	8,895
Other Current Liabilities	80,956	45,261	47,295	52,593	57,677	59,617
Provisions	1,978	2,856	2,767	2,979	2,901	5,382
Net Current Assets	-72,319	-31,592	-30,484	-28,646	-26,160	-23,717
Appl. of Funds	57,244	52,506	51,907	53,037	56,523	60,467

Financials and valuations

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19E	FY20E
Basic (INR)						
EPS	2.9	-0.6	-8.0	-4.2	2.6	4.2
Cash EPS	8.3	9.0	1.4	6.2	14.0	17.3
BV/Share	48.3	25.1	16.7	11.3	13.8	18.1
DPS	1.0	1.2	1.3	1.3	1.3	1.3
Payout (%)	40.3	-51.9	-19.5	-36.9	61.0	36.7
Valuation (x)						
P/E	43.4	-210.9	-15.7	-29.8	49.3	29.7
Cash P/E	15.2	14.0	89.9	20.5	9.0	7.3
P/BV	2.6	5.0	7.5	11.2	9.1	7.0
EV/Sales	3.2	2.8	2.7	2.3	1.8	1.4
EV/EBITDA	15.6	8.4	8.5	7.2	6.3	5.3
Dividend Yield (%)	0.8	0.9	1.1	1.1	1.1	1.1
FCF per share	-17.7	11.5	19.5	32.1	40.5	34.8
Return Ratios (%)						
RoE	6.2	-1.6	-38.3	-30.2	20.4	26.7
RoCE	5.8	11.4	12.0	13.9	14.5	15.6
RoIC	27.4	10.4	11.3	14.0	16.1	19.6
Working Capital Ratios						
Fixed Asset Turnover (x)	0.2	0.3	0.3	0.4	0.4	0.5
Asset Turnover (x)	0.4	0.5	0.6	0.7	0.8	0.9
Inventory (Days)	115	39	44	43	41	40
Debtor (Days)	57	67	60	83	74	71
Creditor (Days)	100	70	71	66	61	58
Leverage Ratio (x)						
Current Ratio	0.2	0.4	0.5	0.5	0.6	0.7
Interest Cover Ratio	1.2	0.8	0.8	0.9	1.3	1.4
Net Debt/Equity	2.7	5.7	9.3	14.0	10.4	7.6

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY15	FY16	FY17	FY18	FY19E	FY20E
OP/(Loss) before Tax	782	-1,092	-1,397	-942	2,711	4,267
Depreciation	1,517	2,491	2,640	2,914	3,206	3,665
Interest & Finance Charges	2,721	7,930	9,078	9,938	7,423	7,560
Direct Taxes Paid	-874	-976	-698	-837	-985	-1,692
(Inc)/Dec in WC	-1,317	-1,882	-1,718	4,120	2,055	-1,632
CF from Operations	2,829	6,471	7,904	15,194	14,409	12,167
Others	1,069	-783	-966	76	-48	94
CF from Operating incl EO	3,898	5,687	6,938	15,270	14,361	12,261
(Inc)/Dec in FA	-8,872	-2,463	-1,469	-6,257	-3,000	-2,500
Free Cash Flow	-4,973	3,224	5,469	9,013	11,361	9,761
(Pur)/Sale of Investments	231	857	1,228	-93	567	573
Others	514	20	0	0	0	0
CF from Investments	-8,127	-1,586	-241	-6,350	-2,433	-1,927
Issue of Shares	-106	0	0	0	0	0
Inc/(Dec) in Debt	6,811	5,510	2,133	2,966	3,000	3,000
Interest Paid	-2,721	-7,930	-9,078	-9,938	-7,594	-7,888
Dividend Paid	-290	-383	-438	-438	-438	-438
Others	0	0	0	0	0	0
CF from Fin. Activity	3,694	-2,803	-7,383	-7,410	-5,032	-5,326
Inc/Dec of Cash	-535	1,299	-686	1,510	6,896	5,008
Opening Balance	945	410	1,709	1,023	2,533	9,430
Closing Balance	410	1,709	1,023	2,533	9,429	14,438

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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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