

Ashoka Buildcon Ltd.

Industry Eng. & Cons.
Bloomberg ASBL IN
BSE CODE 533271

Continued Revenue growth, PAT impacted by one-off

| | |
|-------------------------|------------|
| RATING | BUY |
| CMP | 119 |
| Price Target | 149 |
| Potential Upside | 25% |

| | |
|------------------------|---|
| Rating Change | ↔ |
| Estimate Change | ↓ |
| Target Change | ↓ |

Stock Info

| | |
|---------------------|---------|
| 52wk Range H/L | 127/183 |
| Mkt Capital (Rs Cr) | 3356 |
| Free float (%) | 45% |
| Avg. Vol 1M (,000) | 131 |
| No. of Shares | 28 |
| Promoters Pledged % | 0% |

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3QFY19 Result Update

- ❑ Revenue grew by 61.6% YoY to Rs 1065 Cr from Rs 659 Cr in Q3FY18 on account of strong execution across the segment. Revenue from Road vertical was up by 53% YoY whereas Power T&D continue to do a strong performance, up by 93% YoY.
- ❑ Toll collection was Rs.188 Cr compared to Rs.204 Cr. Subdued performance on account of lower traffic growth and end of concession period on 4 projects.
- ❑ EBITDA during the quarter stood at Rs 149 Cr from Rs 75 Cr in Q3FY18, rising 99.5% YoY. The EBITDA margin increased to 14% from 11.3% in Q3FY18.
- ❑ Interest cost has gone up to Rs.24 Cr compared to Rs.13 Cr as the borrowings has increased to Rs.593 Cr from Rs.255 Cr year ago. The company has borrowed money to fund capEx requirement.
- ❑ Despite the strong revenue growth PAT was up by only 32% YoY on account of a one-off. The company has provided provision of Rs.40 Cr against doubtful receivable of Rs.60 Cr from GVR Infra.
- ❑ The Order book stood at Rs 9537 Cr as compared to Rs 5942 Cr in Q3FY19.
- ❑ Received appointed date for Ankleshwar Manubar Expressway (HAM project) as 10th December 2018 bid project cost Rs 168.7 Cr with a construction period of 910 days
- ❑ Post the Q3FY19 Company has received an Arbitration Award of Rs. 168 Cr for Bhandara BoT projects.
- ❑ Received Provisional Completion Certificate for 2 Annuity Projects: Ashoka Bagewadi Saundatti Road Limited & Ashoka Hungud Talikot Road Limited; Commercial Operation Date (COD) - 1st October 2018
- ❑ Morgan Stanley India Infrastructure has committed to invest Rs 150 Cr in City Gas distribution business in a whole owned subsidiary UEPL

View and Valuation

Ashoka Buildcon has posted strong growth numbers for Q3FY19 on back of strong order book. The company has completed financial closure of 5 HAM projects and documents are submitted to the NHAI. Ashoka has received an appointment date of 1 project out of that. Recently, NHAI has modified its internal rules regarding total project cost (TPC) for granting financial closure status. A couple of Karnataka projects of the company does fall under this category. Management is actively having the dialogue with the NHAI but the matter will take time to resolve and management expects 2-3 months delay in appointment date. Rest of the 2 HAM projects will receive appointment date by the March. We maintain our FY19 estimates but tone down FY20 Revenue/PAT by 5/8% on account of delay in appointment date. Though, we continue to believe strong momentum in revenue growth going forward and maintain our BUY rating with target price Rs. 149.

We value the Std. EPC business at 10x FY20 EPS and Rs.48 per share value for investment into HAM/BoT assets.

Key Risks to our estimates:

- ❑ Delay in appointment date
- ❑ A slowdown in order inflow

| KEY FINANCIAL/VALUATIONS | FY16 | FY17 | FY18 | FY19E | FY20E |
|--------------------------|------|------|-------|-------|-------|
| Net Sales | 1943 | 2013 | 2448 | 3535 | 4185 |
| EBITDA | 248 | 243 | 293 | 455 | 505 |
| EBIT | 181 | 192 | 240 | 385 | 423 |
| PAT | 148 | 176 | 237 | 244 | 286 |
| EPS (Rs) | 8 | 9 | 13 | 9 | 10 |
| EPS growth (%) | -12% | 19% | 35% | -31% | 17% |
| ROE | 9% | 10% | 12% | 11% | 12% |
| ROCE | 10% | 10% | 12% | 15% | 14% |
| BV per share | 83.5 | 92.1 | 102.9 | 76.0 | 84.6 |
| P/B (X) | 2.0 | 1.7 | 2.1 | 1.7 | 1.5 |
| P/E (x) | 21.1 | 17.1 | 16.7 | 15.0 | 12.8 |

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**3QFY19 Results
In Line**
Constant Revenue Growth

| <i>Financials</i> | <i>3QFY18</i> | <i>4QFY18</i> | <i>1QFY19</i> | <i>2QFY19</i> | <i>3QFY19</i> | <i>YoY %</i> | <i>QoQ%</i> | <i>9MFY18</i> | <i>9MFY19</i> | <i>YoY %</i> |
|-------------------|---------------|---------------|---------------|---------------|---------------|--------------|-------------|---------------|---------------|--------------|
| Sales | 659 | 702 | 684 | 764 | 1,065 | 62% | 39% | 1,746 | 2,513 | 43.9% |
| Other Income | 17 | 61 | 37 | 16 | 25 | 53% | 62% | 37 | 78 | 112.6% |
| COGS | 532 | 573 | 547 | 600 | 830 | 56% | 38% | 1,381 | 1,978 | 43.2% |
| Employee Exp | 27 | 28 | 31 | 34 | 43 | 58% | 26% | 79 | 108 | 36.9% |
| Other Expenses | 25 | 21 | 24 | 27 | 43 | 70% | 59% | 68 | 94 | 38.2% |
| Total | 584 | 622 | 602 | 661 | 916 | 57% | 39% | 1,528 | 2,180 | 42.6% |
| EBITDA | 75 | 81 | 81 | 104 | 149 | 99% | 43% | 218 | 334 | 53.3% |
| Depreciation | 13 | 14 | 14 | 14 | 17 | 27% | 22% | 39 | 50 | 29.7% |
| EBIT | 38 | 65 | 66 | 68 | 87 | 132% | 29% | 179 | 283 | 58.4% |
| Intreset | 12 | 13 | 11 | 17 | 13 | 12% | -24% | 37 | 54 | 44.9% |
| Exceptional | - | - | - | - | - | - | - | - | 40 | - |
| PBT | 37 | 69 | 116 | 87 | 90 | 144% | 3% | 178 | 307 | 72.4% |
| Tax | 4 | 17 | 11 | 23 | 28 | 573% | 20% | 42 | 79 | 90.4% |
| PAT | 33 | 52 | 105 | 64 | 62 | 90% | -3% | 137 | 188 | 37.8% |

Highest ever revenue, PAT impacted due to one-off

Ashoka has reported highest-ever quarterly revenue of Rs.1065 Cr at the growth of 62% YoY led by the strong execution across the projects, which is in line with our estimates. Revenue from Road vertical was up by 53% YoY led by execution of ongoing HAM projects. State government pushing hard for early execution of the Power T&D projects and as result of it, revenue grew by 94% YoY from Rs 128 Cr to Rs 248 Cr in Q3FY19. Toll collection was subdued on account of lower traffic growth and end of concession period on 4 projects. The company has reported an EBITDA margin of 14% which is ahead of our estimates. Adjusting to the VAT and Defect liability of Rs.16 Cr EBITDA in line with our estimate of 11.3%. As prudent accounting policy Company has provided provision of Rs.40 Cr against doubtful receivable of Rs.60 Cr from GVR Infra. Though the company is holding the securities against the receivables and confident to receive the amount. As a result of it, PAT is up by only 32% YoY compared to 62% growth in revenue. Order inflow remains sluggish during the quarter particularly from Road sector and only managed to bag Rs.214 Cr of order power T&D.

Appointment date of HAM projects will be delayed

The company has completed financial closure of 5 HAM projects and documents are submitted to the NHAI. Ashoka has received an appointment date of 1 project out of that. Recently, NHAI has modified its internal rules regarding total project cost (TPC) for granting financial closure status. Couple of Karnataka projects of the company does fall under this category. Management is actively having the dialog with the NHAI but the matter will take time to resolve and management expect 2-3 months delay in appointment date. Rest of the 2 HAM projects will receive appointment date by the March. Additionally, the land acquisition process is also progressing slowly. Currently, 80% of the land is available at 3G level but disbursement is taking time and only 36% land on an average is compacted at 3H level.

On Going Road and Power T&D projects will support the revenue growth

Appointment date of new HAM projects is expected to delay due to slow progress on land acquisition and policy related issue. Though, we expect that the current revenue growth momentum will continue for the next 2 quarters backed by advance execution stage of ongoing projects. Couple of big ongoing HAM projects is in advance stage of execution and continuous government push in power T&D will help to post strong numbers going ahead. We expect similar kind of revenue numbers for Q4FY19.

Concall Highlights

- During nine months of FY19, there was not much attraction on bidding particularly road space but management expects to pick up in 4QFY19.
- The company expects to grow 35% to 40% in FY19 supported by strong order book. For 4QFY19 it expects to do the same revenue as 3QFY19 with a margin of 12% to 12.5%.
- 2 out of the 4 HAM projects which can be delayed due to recent modification from NHAI regarding TPC cost. Management is in talks with NHAI and expects 2-3 months delay in appointment date. For balance 2 HAM projects expects to receive in a month or 1.5 months time.
- Land availability for the Belgaum-Khanapur project is 90% 3G and 26% 3H, Package 1 of Tumkur 70% 3G and 36% 3H, Package 2 of Tumkur 91% 3G and 29% 3H and Khairatunda 89% 3G and 63% 3H is done.
- Company provided Rs 40Cr as provisions for receivables due from GVR infra. The company holds the share of Chennai ORR SPV which is owned by GVR in the form of pledge and Management is confident to receive the claim money.
- On CGD business, the company expects Rs 75 Cr of revenue in FY20, Rs 200 Cr in FY21 and addition of Rs 100 Cr every year.
- In CDG project, company has invested in Ratnagiri Rs 35 Cr and expects Rs 35 cr from Morgan Stanley to come in and Rs 200 will be invested later on by the company in 2 to 3 years. Also, expect 20-23% margin of EBITDA in Rs 400 Cr of revenue.
- Order book of the company is Rs 9537 cr of which HAM road projects is Rs 4893 Cr, EPC road projects are Rs 2542 Cr, Power T&D projects is Rs 1357 and Rs 745 Cr.
- Lowest bidder for Rural Electrification work amounting Rs 214.2 Cr at Jharkhand Biji Vitran Nigam Limited.
- Received Rs. 168 Cr as Arbitration Award for Bhandara Road Project
- Received appointed date for Ankleshwar Manubar Expressway (HAM project) which has bid project cost of Rs 168.7 Cr and construction period is 910 days from 10th December 2018
- Total consolidate debt is Rs 5479 Cr and standalone is Rs 592 Cr.
- Capex for the year will be Rs 200 Cr of which Rs 160 Cr is done till 9MFY19, FY20 will Rs 150 Cr.
- Other income of Rs 25 Cr includes Rs 10 Cr of interest charged to ACL.

Order Book Break Up

| | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | YoY (+/-) | QoQ (+/-) |
|-------------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|------------|------------|
| Road | | | | | | | | | |
| BOT | 2,419 | 2,336 | 2,306 | 2,237 | 5,685 | 5,372 | 4,893 | 112% | -9% |
| EPC | 2,232 | 2,046 | 1,921 | 2,019 | 2,767 | 2,623 | 2,542 | 32% | -3% |
| Total Road | 4,651 | 4,381 | 4,227 | 4,256 | 8,451 | 7,995 | 7,435 | 76% | -7% |
| Power T&D | 1,782 | 1,729 | 1,716 | 1,593 | 2,331 | 1,769 | 2,102 | 23% | 19% |
| Total | 6,433 | 6,110 | 5,942 | 5,849 | 10,783 | 9,764 | 9,537 | 60% | -2% |

Gross Toll Collection

| | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | YoY (+/-) | QoQ (+/-) |
|-------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Belgaum - Dharwad | 21 | 21 | 23 | 22 | 23 | 22 | 23 | 1% | 7% |
| Dhankuni Karagpur | 79 | 76 | 78 | 85 | 89 | 89 | 87 | 11% | -2% |
| Bhandara Project | 16 | 15 | 17 | 17 | 17 | 16 | 17 | 0% | 5% |
| Durg Project | 19 | 19 | 20 | 21 | 20 | 19 | 20 | -1% | 4% |
| Jaora – Nayagaon | 47 | 50 | 53 | 52 | 52 | 52 | 50 | -6% | -4% |
| Sambalpur | 15 | 14 | 17 | 18 | 18 | 17 | 18 | 9% | 5% |
| Ahmednagar | 6 | 6 | 8 | 7 | 9 | 7 | 8 | -4% | 9% |
| Wainganga Bridge | 8 | 7 | 8 | 8 | 7 | 7 | 7 | -5% | 3% |
| Others | 22 | 24 | 24 | 1 | 1 | 17 | 1 | -97% | -96% |
| Total | 238 | 237 | 253 | 237 | 241 | 251 | 236 | -7% | -6% |

Exhibit: Order Book Break Up(3QFY19)

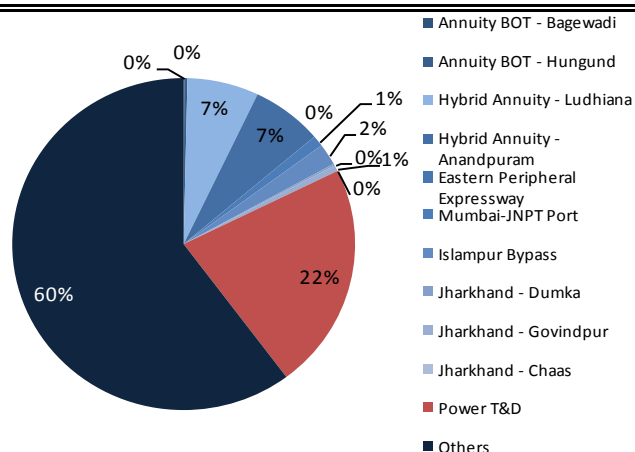


Exhibit: Order Book and book to bill

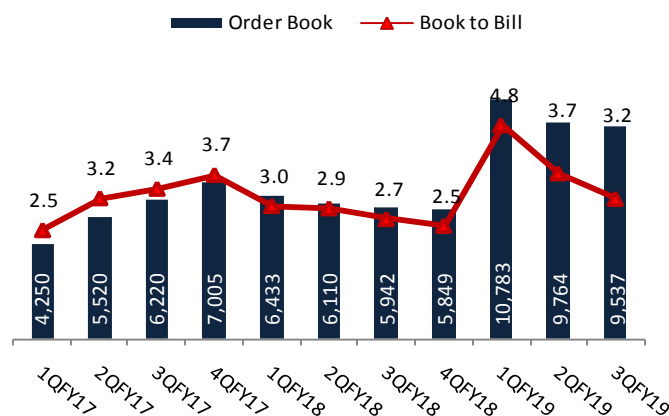


Exhibit: Order Book Mix

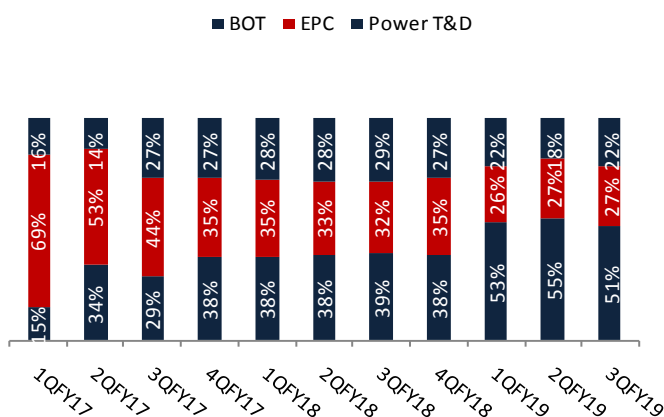
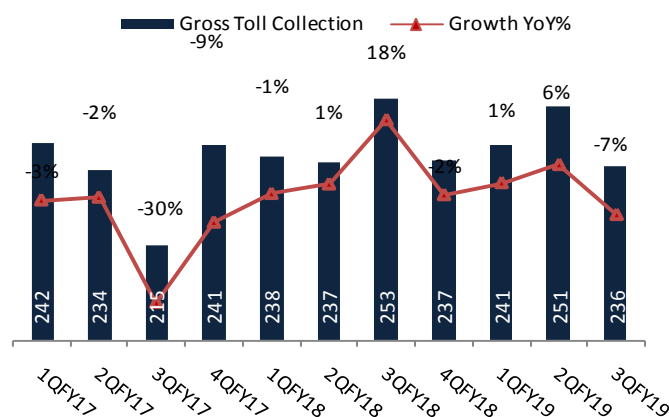


Exhibit: Gross Toll Collection



Financial Details

Income Statement

| Y/E March | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19E | FY20E |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Revenue from Operation | 1,638 | 1,557 | 1,967 | 1,943 | 2,013 | 2,448 | 3,535 | 4,185 |
| Change (%) | 22% | -5% | 26% | -1% | 4% | 22% | 44% | 18% |
| EBITDA | 202 | 198 | 250 | 248 | 243 | 293 | 455 | 505 |
| Change (%) | 4% | -2% | 26% | -1% | -2% | 21% | 55% | 11% |
| Margin (%) | 12% | 13% | 13% | 13% | 12% | 12% | 13% | 12% |
| Depr & Amor. | 50 | 43 | 55 | 67 | 51 | 53 | 70 | 81 |
| EBIT | 153 | 155 | 194 | 181 | 192 | 240 | 385 | 423 |
| Int. & other fin. Cost | 40 | 33 | 59 | 67 | 47 | 49 | 77 | 83 |
| Other Income | 58 | 47 | 58 | 98 | 72 | 98 | 78 | 68 |
| EBT | 171 | 169 | 194 | 212 | 216 | 289 | 386 | 408 |
| Exp Item | 16 | 16 | - | - | - | - | 40 | - |
| Tax | 53 | 50 | 52 | 64 | 40 | 52 | 103 | 123 |
| Minority Int & P/L share of Ass. | - | - | - | - | - | - | - | - |
| Reported PAT | 102 | 103 | 142 | 149 | 176 | 237 | 244 | 286 |
| Adjusted PAT | 91 | 92 | 142 | 149 | 176 | 237 | 215 | 286 |
| Change (%) | | 1% | 54% | 5% | 18% | 35% | -9% | 33% |
| Margin(%) | 6% | 6% | 7% | 8% | 9% | 10% | 6% | 7% |

Balance sheet

| Y/E March | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19E | FY20E |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Share Capital | 53 | 79 | 79 | 94 | 94 | 94 | 140 | 140 |
| Reserves | 801 | 854 | 1,027 | 1,469 | 1,629 | 1,833 | 1,992 | 2,235 |
| Networth | 854 | 932 | 1,106 | 1,562 | 1,723 | 1,926 | 2,133 | 2,375 |
| Debt | 238 | 190 | 420 | 263 | 177 | 125 | 521 | 571 |
| Other Non Cur Liab | 420 | 415 | 242 | 169 | 202 | 199 | 199 | 199 |
| Total Capital Employed | 1,092 | 1,123 | 1,526 | 1,825 | 1,900 | 2,051 | 2,654 | 2,947 |
| Net Fixed Assets (incl CWIP) | 242 | 227 | 191 | 155 | 185 | 232 | 363 | 432 |
| Non Cur Investments | 745 | 976 | 1,187 | 1,230 | 1,306 | 1,318 | 1,578 | 1,670 |
| Other Non Cur Asst | 564 | 412 | 295 | 497 | 514 | 798 | 946 | 1,015 |
| Non Curr Assets | 1,309 | 1,388 | 1,482 | 1,727 | 1,821 | 2,116 | 2,525 | 2,685 |
| Inventory | 505 | 447 | 463 | 23 | 87 | 146 | 211 | 249 |
| Debtors | 145 | 190 | 554 | 395 | 458 | 860 | 1,123 | 1,330 |
| Cash & Bank | 34 | 31 | 24 | 27 | 64 | 123 | 124 | 168 |
| Other Curr Assets | 84 | 155 | 182 | 901 | 1,021 | 681 | 884 | 1,026 |
| Curr Assets | 768 | 823 | 1,223 | 1,346 | 1,629 | 1,811 | 2,342 | 2,773 |
| Creditors | 324 | 404 | 613 | 478 | 569 | 593 | 856 | 1,013 |
| Provisions | 23 | 20 | 0 | 3 | 44 | 34 | 49 | 58 |
| Other Curr Liab | 217 | 248 | 217 | 240 | 355 | 665 | 725 | 858 |
| Curr Liabilities | 564 | 672 | 938 | 1,079 | 1,349 | 1,676 | 2,013 | 2,313 |
| Net Curr Assets | 203 | 150 | 285 | 267 | 281 | 135 | 329 | 460 |
| Total Assets | 2,076 | 2,210 | 2,705 | 3,073 | 3,450 | 3,927 | 4,867 | 5,459 |

Financial Details

Cash Flow

| Y/E March | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19E | FY20E |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| PBT | 155 | 153 | 194 | 203 | 216 | 289 | 347 | 408 |
| (inc)/Dec in Working Capital | 239 | 180 | (303) | (571) | 231 | 242 | (212) | (87) |
| Non Cash Op Exp | 50 | 43 | 55 | 67 | 51 | 53 | 70 | 81 |
| Int Paid (+) | 40 | 33 | 59 | 67 | 47 | 49 | - | - |
| Tax Paid | 45 | 48 | 49 | 71 | 72 | 79 | 103 | 123 |
| others | 233 | 206 | 277 | 292 | 272 | 336 | - | - |
| CF from Op. Activities | 427 | 338 | (75) | (350) | 442 | 498 | 102 | 280 |
| (inc)/Dec in FA & CWIP | (52) | (37) | (20) | (33) | (45) | (145) | (200) | (150) |
| Free Cashflow | 375 | 301 | (95) | (382) | 397 | 354 | (98) | 130 |
| (Pur)/Sale of Inv | 325 | 253 | 101 | 467 | 69 | 8 | 260 | 92 |
| others | 52 | 56 | 30 | 485 | (146) | (334) | - | - |
| CF from Inv. Activities | (324) | (234) | (91) | (15) | (146) | (334) | (460) | (242) |
| inc/(dec) in NW | 0 | - | 4 | 492 | - | - | - | - |
| inc/(dec) in Debt | (49) | (47) | 238 | 294 | (127) | 39 | 396 | 50 |
| Int. Paid | 41 | 33 | 57 | 56 | 42 | 39 | - | - |
| Div Paid (inc tax) | 11 | 22 | 24 | 41 | 0 | 3 | 37 | 43 |
| others | (6) | - | - | - | - | - | - | - |
| CF from Fin. Activities | (108) | (103) | 162 | 388 | (184) | (18) | 359 | 7 |
| Inc(Dec) in Cash | (5) | 1 | (4) | 23 | 112 | 146 | 1 | 44 |
| Add: Opening Balance | 39 | 8 | 10 | (195) | (172) | (59) | 123 | 124 |
| Closing Balance | 34 | 10 | 5 | (172) | (59) | 87 | 124 | 168 |

Key Ratio

| Y/E March | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19E | FY20E |
|--------------------|------|------|------|------|------|------|-------|-------|
| ROE | 12% | 11% | 13% | 9% | 10% | 12% | 11% | 12% |
| ROCE | 14% | 14% | 13% | 10% | 10% | 12% | 15% | 14% |
| Asset Turnover | 0.79 | 0.70 | 0.73 | 0.63 | 0.58 | 0.62 | 0.73 | 0.77 |
| Debtor Days | 32 | 44 | 103 | 74 | 83 | 128 | 116 | 116 |
| Inv Days | 113 | 105 | 86 | 4 | 16 | 22 | 22 | 22 |
| Payable Days | 72 | 95 | 114 | 90 | 103 | 88 | 88 | 88 |
| Int Coverage | 4 | 5 | 3 | 3 | 4 | 5 | 5 | 5 |
| P/E | 11 | 8 | 16 | 21 | 17 | 17 | 15 | 13 |
| Price / Book Value | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 |
| EV/EBITDA | 5 | 6 | 12 | 13 | 15 | 16 | 8 | 7 |
| FCF per Share | 71 | 19 | (6) | (20) | 21 | 19 | (4) | 5 |
| Div Yield | 2.1% | 2.0% | 0.9% | 1.3% | 0.4% | 0.6% | 0.9% | 1.1% |

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| | |
|---|-----|
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