

ASHOKA BUILDCON

Industry
Bloomberg
BSE Code
NSE Code

Con. & Eng.
ASBL IN
533271
ASHOKA

07 June 2018

RATING	BUY
CMP	232
Price Target	275
Previous Target	296
Potential Upside	19%

Stock Info

52wk Range H/L	294/171
Mkt Capital (Rs Cr)	4283
Free float (%)	45%
Avg. Vol 1M (,000)	212
No. of Shares (Crore)	19
Promoters Pledged %	0.0%

Robust Order Inflow provides base for strong EPC revenue growth

Key Highlights

- Post the robust order inflow of Rs.6000 Cr company's order book stands at Rs.11911 Cr which provides strong base for robust EPC growth over next couple of years. Additionally, management expects to win Rs.7500 Cr of new orders in FY19.
- 20000 km of road projects is expected to bid out in FY19 and management expects to win Rs.6000 Cr worth of projects.
- Board of the management has proposed bonus in ratio of 1:2 and is subject to shareholders' approval.

4Q FY18 Result:

ASHOKA has posted its 4QFY18 numbers in line with our estimates. Sales were risen by 15% YoY to Rs.702 Cr v/s our estimate of Rs.715 Cr. Growth in revenue largely driven by the strong execution of projects under construction. However, EBITDA margin was below than our expectation (11.5% v/s 12.5%). But higher than expected other income led to the strong bottom line growth. PAT was up by 60% YoY To Rs.105 Cr. ACL road portfolio has shown strong toll collection growth of 12.38% YOY led by strong traffic growth of 13% YoY at Belgaum projects. During the quarter company has bagged new orders worth Rs.6000 Cr. With this strong order inflow order book is stands at Rs.11911 Cr which is 5.2x of TTM EPC revenue.

View and Valuation

With the strong order inflow now ASHOKA's order book is stand at Rs.11911 Cr and based on its proven execution capabilities we expect strong revenue growth over next couple of years. We have factored in CAGR revenue growth of 26% over FY18-20. Strong balance sheet supports the growth going forward.

We have changed our estimates and reduce EPS growth by 5/9% for FY19/20 and value ASHOKA at Rs.275 on SoTP basis and maintain “BUY” rating on the stock. We value EPC business at Rs.177 (12x FY20 EPS) and BOT business at Rs.98 per share.

Key Risks to our rating and target

- Delay in appointment date
- Slow down in execution due to external factors

KEY FINANCIAL/VALUATIONS	FY15	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	1967	1943	2052	2448	3133	3928
EBITDA	250	248	260	293	392	491
EBIT	194	181	209	240	337	432
PAT	142.2	148	184	237	247	276
EPS (Rs)	9	8	10	13	13	15
EPS growth (%)	0.4	-12%	24%	29%	4%	12%
ROE	0.1	9%	10%	12%	12%	12%
ROCE	0.1	9%	10%	12%	15%	17%
BVPS	70	91	100	103	115	128
P/B (X)	2.5	1.9	1.6	2.4	2.0	1.8
P/E (x)	19.6	21.6	16.2	19.6	17.6	15.7

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4QFY18 Results In line with our expaction

Financials	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	YoY %	QoQ%	FY17	FY18	YoY %
Net Sales	610	723	379	659	702	15.1%	6.6%	2,052	2,448	19.3%
Other Income	43	9	11	17	61	41.7%	269.3%	72	98	36.0%
COGS	503	578	286	532	573	14.0%	7.8%	1,645	1,954	18.8%
Employee Exp.	25	27	25	27	28	10.6%	2.1%	90	107	18.4%
Other Exp.	18	21	17	20	21	12.2%	1.7%	57	94	63.1%
Total Exp.	546	625	328	579	622	13.8%	7.3%	1,792	2,155	20.2%
EBITDA	64	98	51	80	81	27.0%	1.5%	260	293	13.0%
EBITDA M (%)	10%	13%	13%	12%	11%			13%	12%	
Depreciation	15	11	13	14	14	-1.8%	0.2%	51	53	4.9%
EBIT	49	86	38	65	66	35.6%	1.8%	209	240	15.0%
Intreset	18	13	12	13	11	-37.7%	-11.8%	47	49	2.3%
Except. Item	-	-	-	-	-	NA	NA	-	-	NA
PBT	74	82	37	69	116	57.1%	68.6%	233	289	24.0%
Tax	8	21	4	17	11	32.5%	-36.0%	49	52	6.1%
PAT	66	62	33	52	105	60.1%	102.7%	184	237	28.8%
PAT %	11%	9%	9%	8%	15%			9%	10%	

In line with our estimates

ASHOKA reported its Q4FY18 numbers largely in line with estimates. Sales have improved by 15% YoY to Rs.702 Cr compared to our estimate of Rs.715 Cr. Completion of Eastern peripheral (EPC projects) and pick up in execution of other projects has supported the growth. However, EBITDA margin is lower compared to our estimate. Despite the lower EBITDA margin PAT has jumped sharply (60% YoY) on account of higher other income. Maldives projects (JV project) gets over and company has received Rs.20 Cr as share of profit which led to 40% YoY growth.

Robust Order Inflow provides base for strong EPC revenue growth

ASHOKA has secured Rs.6000 Cr new orders in Q4FY18 and end orders in hand of Rs.11911 Cr which is 5.2x of its TTM EPC revenue. Based on the company's strong execution capability we expect strong growth in revenue for next couple years. We have factored in 26% CAGR growth in revenue over FY18-20. Well funded BOT portfolio and strong balance sheet position will support revenue growth. Additionally management expects to receive Rs.6000 Cr of new orders from road and Rs.1500 Cr from Power T&D in FY19.

Concall Highlights:-

- ✓ Management expects 40% Revenue growth over next 2 years with 13-15% EPC EBITDA margin.
- ✓ Started receiving annuity on Chennai ORR and Mudhol Nipani annuity projects.
- ✓ Land on 3 new HAM projects out of 5 is available for construction. Expect delay of one and half months in 2 HAM projects in state of Karnataka.
- ✓ 35% of the required equity will invest in FY19 and balance will invest over period of construction.
- ✓ Other income includes Rs.20 Cr as share of profit from Maldives projects and annuity payment of Chennai ORR.
- ✓ 20000 Km of projects will bid out in FY19 and management expects to win Rs.6000 Cr from roads and Rs.1500 Cr form Power T&D.
- ✓ EPC work on ToT project won by macquarie will start from September onwards.
- ✓ Tax Rate will be 23-24% in FY19 and full tax rate in FY20.
- ✓ ASHOKA will monetize some of the assets to fund future projects.
- ✓ Work on HAM projects will start from November.
- ✓ Work on long time stalled Islampur project has started and full swing in FY19.
- ✓ WIP items has shifted under Debtors as per Ind AS accounting norms.
- ✓ ASHOKA has won arbitration award of Rs.380 Cr on Pune Shirur road projects.
- ✓ Tariff hike in range of 4% is due from April on all NHAI projects.
- ✓ Management has recommended bonus in ratio of 1:2.

Order Book Break Up

	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18*	YoY%	QoQ%
Roads									
BOT	1,860	1,779	2,629	2,419	2,336	2,306	2,237	-15%	-3%
EPC	2,909	2,760	2,485	2,232	2,046	1,921	2,019	-19%	5%
Total Road	4,769	4,540	5,114	4,651	4,381	4,227	4,256	-17%	1%
Power T&D	751	1,681	1,891	1,782	1,729	1,716	1,593	-16%	-7%
Total	5,520	6,220	7,005	6,433	6,110	5,942	5,849	-17%	-2%

4QFY18 order book Excl. HAM orders

Gross Toll Collection

	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	YoY%	QoQ%
Belgaum - Dharwad	18	14	19	21	21	23	22		
Dhankuni Karagpur	65	48	77	79	76	78	85	10%	8%
Bhandara Project	15	11	16	16	15	17	17	10%	4%
Durg Project	18	14	19	19	19	20	21	7%	2%
Jaora – Nayagaon	43	34	47	47	50	53	52	12%	-1%
Sambalpur	12	10	14	15	14	17	18	28%	9%
Ahmednagar	7	4	10	6	6	8	7	-30%	-14%
Wainganga Bridge	7	5	8	8	7	8	8	2%	3%
Others	16	13	27	22	24	24	9	-66%	-63%
Total	234	178	258	238	237	253	245	-5%	-3%

Exhibit: Order Book Break Up

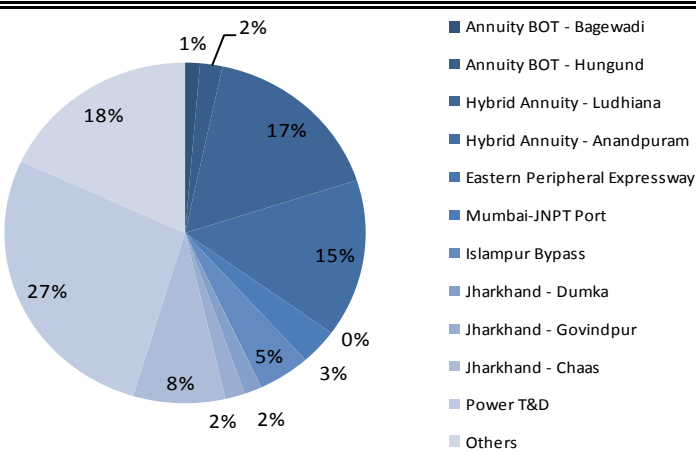


Exhibit: Order Book and Book to Bill

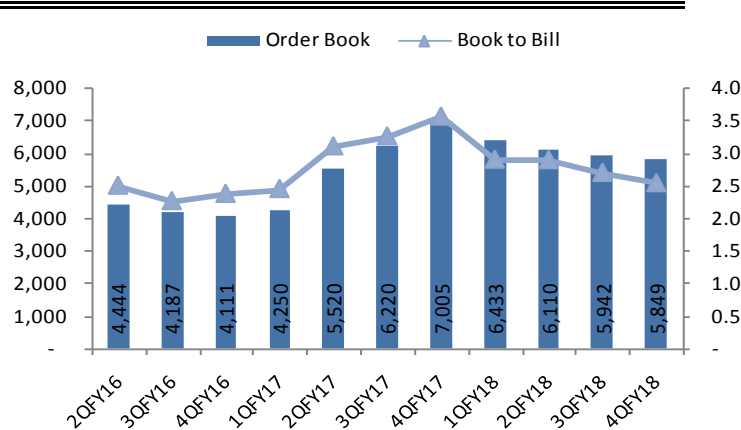


Exhibit: Revenue Mix % with EBITDA M %

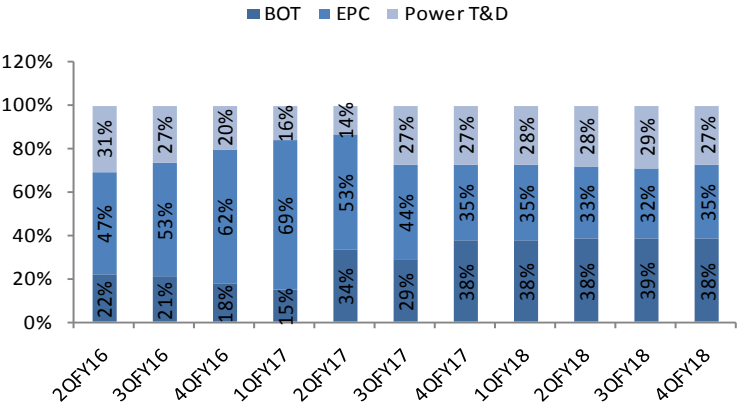
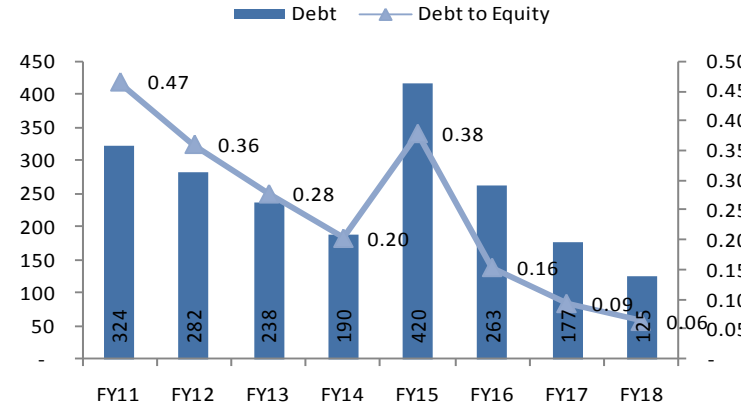


Exhibit: Project Debt and Intreset Coverage



Financials 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	2,052	2,448	3,133	3,928
Change (%)	22%	-5%	26%	-1%	6%	19%	28%	25%
EBITDA	202	198	250	248	260	293	392	491
Change (%)	4%	-2%	26%	-1%	5%	13%	33%	25%
Margin (%)	12%	13%	13%	13%	13%	12%	13%	13%
Depr & Amor.	50	43	55	67	51	53	54	59
EBIT	153	155	194	181	209	240	337	432
Int. & other fin. Cost	40	33	59	67	47	49	40	40
Other Income	58	47	58	98	72	98	28	26
EBT	171	169	194	212	233	289	325	418
Exp Item	16	16	-	-	-	-	-	-
Tax	53	50	52	64	49	52	78	142
Min. Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	102	103	142	149	183	237	247	276
Adjusted PAT	91	92	142	149	183	237	247	276
Change (%)		1%	54%	5%	23%	29%	4%	12%
Margin(%)	6%	6%	7%	8%	9%	10%	8%	7%

Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	53	79	79	94	94	94	94	94
Reserves	801	854	1,027	1,602	1,771	1,833	2,056	2,305
Networth	854	932	1,106	1,696	1,864	1,926	2,149	2,398
<i>Debt</i>	<i>238</i>	<i>190</i>	<i>420</i>	<i>263</i>	<i>177</i>	<i>125</i>	<i>127</i>	<i>126</i>
Other Non Cur Liab	420	415	242	169	202	199	199	199
<i>Total Capital Employed</i>	<i>1,092</i>	<i>1,123</i>	<i>1,526</i>	<i>1,959</i>	<i>2,041</i>	<i>2,051</i>	<i>2,276</i>	<i>2,524</i>
<i>Net Fixed Assets (incl CWIP)</i>	<i>242</i>	<i>227</i>	<i>191</i>	<i>155</i>	<i>185</i>	<i>232</i>	<i>211</i>	<i>232</i>
<i>Non Cur Investments</i>	<i>745</i>	<i>976</i>	<i>1,187</i>	<i>1,230</i>	<i>1,306</i>	<i>1,318</i>	<i>1,634</i>	<i>1,830</i>
<i>Other Non Cur Asst</i>	<i>564</i>	<i>412</i>	<i>295</i>	<i>309</i>	<i>351</i>	<i>798</i>	<i>777</i>	<i>798</i>
Non Curr Assets	1,309	1,388	1,482	1,539	1,657	2,116	2,411	2,627
Inventory	505	447	463	796	931	146	187	234
Debtors	145	190	554	580	588	860	1,101	1,377
Cash & Bank	34	31	24	27	64	123	153	132
Other Curr Assets	84	155	182	127	198	681	661	809
<i>Curr Assets</i>	<i>768</i>	<i>823</i>	<i>1,223</i>	<i>1,531</i>	<i>1,780</i>	<i>1,811</i>	<i>2,102</i>	<i>2,552</i>
Creditors	324	404	613	442	528	593	759	951
<i>Provisions</i>	<i>23</i>	<i>20</i>	<i>0</i>	<i>3</i>	<i>44</i>	<i>34</i>	<i>43</i>	<i>54</i>
Other Curr Liab	217	248	217	240	355	665	852	1,068
Curr Liabilities	564	672	938	942	1,195	1,676	2,038	2,457
Net Curr Assets	203	151	285	589	586	135	64	95
Total Assets	2,076	2,210	2,705	3,070	3,438	3,927	4,512	5,180

Financials Details

Cash Flow

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
PBT	155	153	194	203	233	289	325	418
(inc)/Dec in Working Capital	239	180	(303)	(571)	212	752	100	(53)
Non Cash Op Exp	50	43	55	67	51	53	54	59
Int Paid (+)	40	33	59	67	47	-	-	-
Tax Paid	45	48	49	71	72	52	78	142
others	(11)	(25)	(31)	(45)	(16)	-	-	-
CF from Op. Activities	427	338	(75)	(350)	455	399	401	282
(inc)/Dec in FA & CWIP	(52)	(37)	(20)	(33)	(84)	(101)	(33)	(80)
Free Cashflow	375	301	(95)	(382)	371	298	368	202
(Pur)/Sale of Inv	325	253	101	467	132	12	316	196
others	52	56	30	485	57	-	-	-
CF from Inv. Activities	(324)	(234)	(91)	(15)	(158)	(113)	(349)	(276)
inc/(dec) in NW	0	-	4	492	-	(152)	-	-
inc/(dec) in Debt	(49)	(47)	238	294	292	(52)	2	(1)
Int. Paid	41	33	57	56	42	-	-	-
Div Paid (inc tax)	11	22	24	41	15	23	24	27
others	(6)	-	-	-	-	-	-	-
CF from Fin. Activities	(108)	(103)	162	388	(184)	(227)	(23)	(28)
Inc(Dec) in Cash	(5)	1	(4)	23	112	59	30	(22)
Add: Opening Balance	39	8	10	(195)	(172)	64	123	153
Closing Balance	34	10	5	(172)	(59)	123	154	131

* FY18 numbers are estimated

Key Ratio

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	12%	11%	13%	9%	10%	12%	12%	12%
ROCE	14%	14%	13%	9%	10%	12%	15%	17%
Asset Turnover	0.79	0.70	0.73	0.63	0.60	0.62	0.69	0.76
Debtor Days	32	44	103	109	105	128	128	128
Inv Days	113	105	86	150	166	22	22	22
Payable Days	72	95	114	83	94	88	88	88
Int Coverage	3.85	4.64	3.29	2.71	4.40	4.95	8.44	10.84
P/E	3	12	20	22	16	20	18	16
Price / Book Value	0	1	3	2	2	2	2	2
EV/EBITDA	2	6	12	13	12	16	11	9
FCF per Share	71	19	(6)	(20)	20	16	20	11
Div Yield	6.2%	2.0%	0.9%	1.3%	0.5%	0.4%	0.5%	0.5%

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