

ASHOKA BUILDCON

BUY

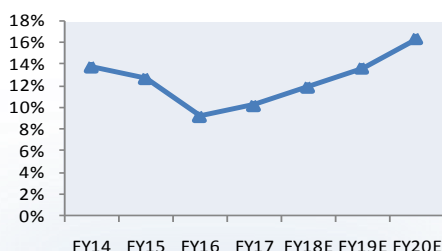
28-Mar-18

INDUSTRY - Cons. & Eng.
Bloomberg - ASBL IN
BSE Code - 533271
NSE Code - ASHOKA
NIFTY - 10184

Company Data

CMP	244
Target Price	327
Previous Target Price	296
Upside	34%
52wk Range H/L	268/171
Mkt Capital (Rs Cr)	4,571
Av. Volume ('000)	352

Improving RoE

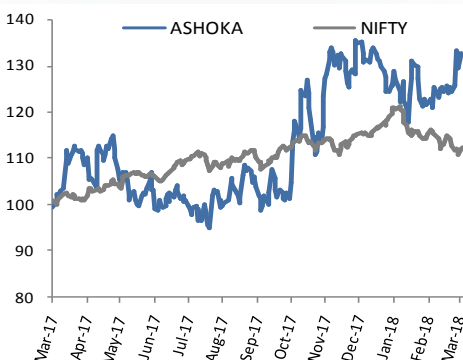


Shareholding patterns %

	3QFY18	2QFY18	1QFY18
Promoters	54.8	56.6	56.4
FII	5.8	5.9	7.8
DII	29.9	26.7	24.5
Others	9.0	11.0	11.0
Total	100	100	100

Stock Performance %

	1Mn	3Mn	1Yr
Absolute	10.9	(3.9)	29.8
Rel.to Nifty	12.8	(1.0)	17.0



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Key Highlights of the Report:

- ✓ Till December order inflow was NIL but post that Ashoka Buildcon has won orders worth of Rs.6000 Cr including Rs.447 Cr of EPC and balance from HAM.
- ✓ Still NHAI order pipeline looking strong with Rs.90000 Cr worth of bids in pipeline, which will be tendered out in next 4-5 months.
- ✓ We have revised our Revenue/EBITDA/PAT estimates by 23%/23%/24% for FY20E.
- ✓ We have factored in recent order inflow in our estimates and revised our EPS estimate by 6%/24% for FY19E/FY20E. We value Ashoka Buildcon SoTP method and arrived at target price of Rs. 327. EPC business at Rs.229 (14x FY20 EPS of Rs.16.4) and BOT projects at Rs.98 per share (10x FY20 EV/EBITDA). We reiterate BUY on the stock.

Financials/Valuation

	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	1,943	2,052	2,476	3,178	4,173
EBITDA	248	260	317	397	522
EBIT	181	209	269	343	463
PAT	148	184	207	257	306
EPS (Rs)	8	10	11	14	16
EPS growth (%)	-12%	24%	13%	24%	19%
ROE	9%	10%	10%	11%	12%
ROCE	9%	10%	12%	14%	16%
BV per share	91	100	110	122	137
P/B (X)	1.9	1.6	2.2	2.0	1.8
P/E (x)	22	16	22	18	15

Recent Order Win and Bid Pipeline:-

- ✓ Till December Ashoka buildcon order inflow was NIL but post that it has won orders worth of Rs.6000 Cr including Rs.447 Cr of EPC and balance from HAM.
- ✓ ASHOKA has secured total 7 projects, 2 EPC and 5 HAM projects ranging from Rs.220 Cr to Rs.1600 Cr.
- ✓ Company has exceeded its order inflow target for FY18 and secured Rs.6000 Cr worth of order as against Rs.4000-5000 Cr of guidance.
- ✓ NHAI bid pipeline is still looking strong with Rs.90000 Cr worth of bids in pipeline. Which will be submitted in short period and NHAI expects to tender out in next 4-5 months.
- ✓ Till March NHAI has awarded only 2500 km of projects but NHAI expects to tender out 8000 km by the March end.

Quarterly Performance

Financials	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	YoY %	QoQ%	FY16	FY17	YoY %
Net Sales	524	610	723	379	659	26%	74%	1,943	2,052	6%
Other Income	12	43	9	11	17	44%	54%	98	72	-27%
COGS	423	503	578	286	532	26%	86%	1,564	1,645	5%
Employee Expenses	24	25	27	25	27	12%	10%	73	90	23%
Other Expenses	14	18	21	17	20	43%	19%	59	57	-3%
Total Expenditure	462	546	625	328	579	25%	77%	1,696	1,792	6%
EBITDA	62	64	98	51	80	28%	57%	248	260	5%
EBITDA M (%)	12%	10%	13%	13%	12%			13%	13%	
Depreciation	11	15	11	13	14	35%	11%	67	51	-24%
EBIT	51	49	86	38	65	27%	73%	181	209	16%
Intreset	9	18	13	12	13	42%	11%	67	47	-29%
Exceptional Item	-	-	-	-	-			-	-	
PBT	54	74	82	37	69	28%	87%	212	233	10%
Tax	11	8	21	4	17	53%	311%	64	49	-23%
PAT	43	66	62	33	52	22%	59%	148	184	24%
PAT %	8%	11%	9%	9%	8%			8%	9%	

Strong Revenue growth backed by robust execution

- ✓ ASHOKA has reported strong numbers during the quarters. Sales have up by 25.7% YoY to Rs.659 Cr backed by the strong execution of road EPC projects.
- ✓ Adjusted gross toll collection during the quarter was up 18% YoY to Rs.253 Cr compared to Rs.215 Cr (adj).
- ✓ Pickup in economic activities post GST, Increased mining activity on key projects Sambhalpur and Belgaum, shift in trade from Kolkata port to Haldia port (port traffic using Dhankuni to Karagpur road) led to toll collection growth.
- ✓ EBITDA has improved by 30 bps to Rs.80 Cr on account of healthy revenue. PAT margin was down by 20 bps due to higher tax rate. However PAT has grow by 21.8% to Rs.52 Cr compared to Rs.43
- ✓ Long time stalled projects Jharkhand Chaas and Islampur Bypass have started moving up. 90% of land is available at Jharkhand Chaas and we expect steady execution from next quarter.
- ✓ ASHOKA has witnessed on an average 15% traffic growth across the major toll projects. Traffic growth on Belgaum, Dhankuni, Bhandara, Durg, Jaora – Nayagaon and Sambalpur is 19%, 19%, 10%, 6%, 10% and 25% respectively.

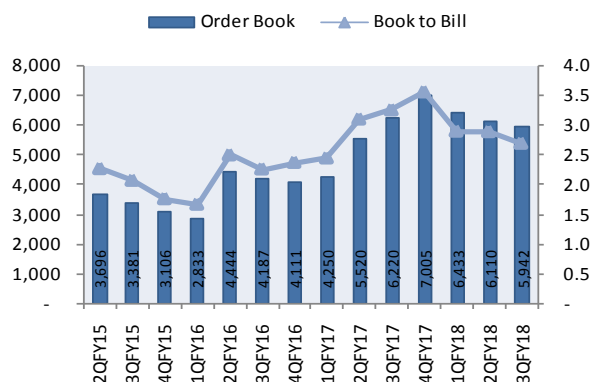
Gross Toll Collection	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	YoY %	QoQ %
Belgaum - Dharwad	18	19	18	14	19	21	21	23	63%	11%
Dhankuni Karagpur	67	66	65	48	77	79	76	78	64%	3%
Bhandara Project	16	16	15	11	16	16	15	17	51%	12%
Durg Project	20	19	18	14	19	19	19	20	46%	9%
Jaora – Nayagaon	41	41	43	34	47	47	50	53	56%	5%
Sambalpur	12	12	12	10	14	15	14	17	72%	17%
Ahmednagar -	5	5	7	4	10	6	6	8	118%	25%
Wainganga Bridge	8	8	7	5	8	8	7	8	43%	10%
Others	16	17	16	13	27	22	24	24	93%	0%
Total	265	242	234	178	258	238	237	253	43%	7%

Order Book	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	YOY %	QoQ %
Roads										
BOT	733	632	1,860	1,779	2,629	2,419	2,336	2,306	30%	-1%
EPC	2,558	2,927	2,909	2,760	2,485	2,232	2,046	1,921	-30%	-6%
Total Road	3,291	3,559	4,769	4,540	5,114	4,651	4,381	4,227	-7%	-4%
Power T&D	820	691	751	1,681	1,891	1,782	1,729	1,716	2%	-1%
Total	4,111	4,250	5,520	6,220	7,005	6,433	6,110	5,942	-4%	-3%

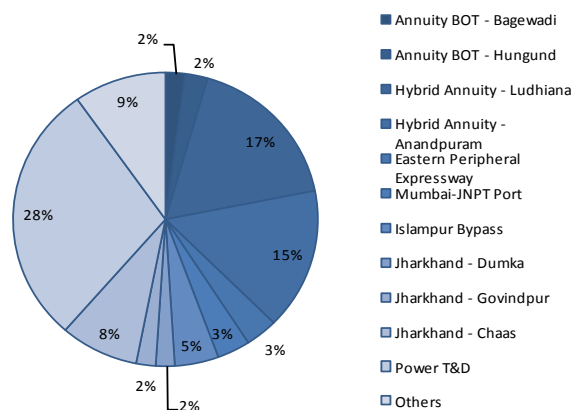
Strong Order book despite NIL order Intake

- ✓ Order inflow for the first 9 months was NIL due to higher competitive intensity in bidding. However ASHOKA has participated in Rs.16000 Cr worth of orders and expect to win Rs.4000-5000 Cr of new orders.
- ✓ Current order stand at Rs.5942 Cr, 2.7x of TTM revenue gives us confidence of healthy revenue visibility for the next two years.
- ✓ Long time stalled projects Jharkhand Chaas and Islampur Bypass have started moving up. Now, 90% of land is available for construction at Jharkhand Chaas and NHAI has decided to take up Islampur projects despite the agitation.

Order Book and Book to Bill trend



Order Book Break Up (Q3FY18)



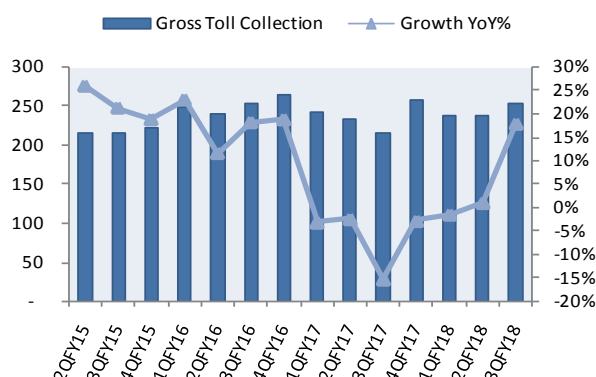
Concall Highlights:

- ✓ ASHOKA has participated in Rs.16000 Cr worth of projects and expect to win Rs.4000-5000 Cr
- ✓ Initially competitive intensity was high but currently it has come down.
- ✓ Pickup in economic activity post GST, increased mining activity on Sambhalpur , Belgum project and higher port traffic one key project led the toll collection and it will likely to continue for the next quarter.
- ✓ 90% land is available for Jharkhand Chaas project and project is moving up.
- ✓ NHAI will not terminate Islampur Bypass project despite the agitation. Company will claim losses due to time overrun as arbitration claim.
- ✓ Rs.120 Cr of equity requirement for FY19.
- ✓ Payment of Rs.230 Cr suppose to received in December but delayed and which received in Jan2018
- ✓ Tax rate will be 22-24% in FY19 and increased in FY20 as revenue from 80IA will be reduce.
- ✓ Maintain EBITDA M at 12.5-13% going ahead.
- ✓ Ashoka is qualified for Lucknow-Balia and Nagpur Express way and will bid for the projects.
- ✓ Company is in discussion with strategy partner for bid ToT.

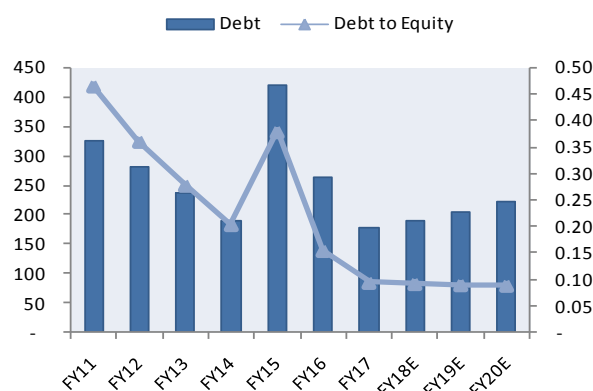
Investment Rationale:

- ✓ **Strong Order Book couple with robust Order pipeline:-** During the first 9 months ASHOKA has bid for 1000 Km projects but unfortunately ended with NIL order inflow due to higher competitive intensity. But now competitive intensity has come down and management witness more rational bidding. However, current order book stands at 2.7x of TTM revenue which provides strong revenue visibility for next two years. Additionally, couple stalled projects (Jharkhand Chaas and Islampur Bypass) have started moving up. 90% land is available for Jarkhand Chaas and we expect steady execution from next quarter. Currently ASHOKA has participated in Rs.16000 Cr worth of new projects and expect to win Rs.4000-5000 Cr of new projects in next 4-5 months. Under Bharatmala projects 30000 km of road projects will bid out in next 4 years. We believe that the ASHOKA is in sweet spot to tap the raising opportunity in road sector.
- ✓ **Toll collection growth momentum to continue:-** Pickup in economic activity post GST, increased mining activity on key large projects Sambhalpur and Belgaum and shift in port activity from Kolkata port to Haldia port (port traffic using Dhankuni Karagpur road)led to strong toll growth of 18% YoY (Adjusted) across the projects. We believe that the traffic growth in next quarter will continue to remain strong based on the lower base effect and increased economic activity. ASHOKA has received completion certificate for the entire work of Mudhol Nipani road project during the quarter and entitle to receive the annuity payment and management is expect to receive annuity payment before march. This will further improve toll/annuity revenue going ahead. We estimate that the toll collection will grow by 7% CAGR (not factored annuity payment) over FY17-20.
- ✓ **Healthy Balance Sheet with low Debt to Equity Ratio:-** Debt to equity ratio on standalone book is stand at 0.08x and self sufficient BOT projects provide enough headroom for the future growth. Working capital loan has shot up to Rs.173 Cr from Rs.69 Cr compared to last quarter due to delay in receipt of payment. Though the payment of Rs. 230 Cr has received in January 2018 and working capital loan is under control. We expect that the working capital loan will remain at this level. We believe that the steady toll collection growth, healthy cash generation from EPC business and strategic partnership will take-care equity requirement for upcoming HAM projects. We continue to estimate debt to equity position below 1:1.

Pick up in Economic activity post GST and project related benefit support healthy toll collection



Will Maintain Strong Balance Sheet Position



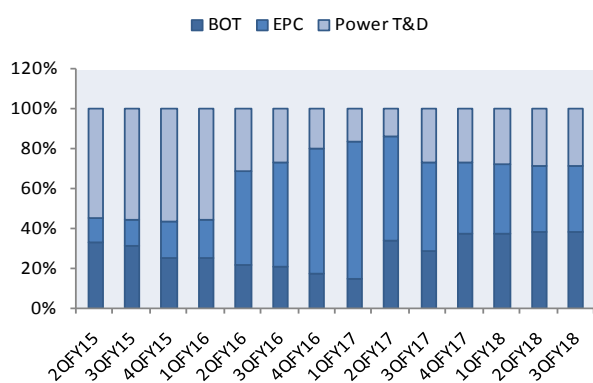
View and Valuation:-

Till December ASHOKA's order inflow was NIL but after that company has witnessed strong uptick in order inflow and secured orders worth of Rs.6000 Cr, Rs.5500 Cr from HAM and balance from EPC. Company has exceeded its order inflow guidance of Rs.4000-5000 Cr by big margin. Post this strong order inflow ASHOKA is sitting on robust order book of Rs.11227 Cr and we expect strong EPC revenue growth in FY19E and FY20E. We have revised our estimates and expect revenue growth of 28%/31% in FY19/FY20.

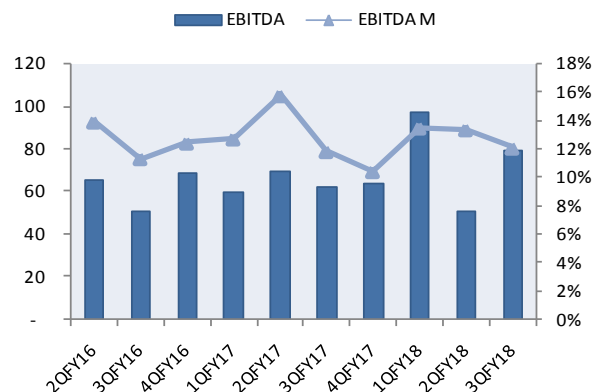
Pickup in economic activity post GST, increased mining activity at key projects Sambhalpur and Belgaum, shift in trade from Kolkata port to Haldia port (port traffic using Dhankuni to Karagpur road) will be key trigger for growth in toll collection.

We have factored in recent order inflow in our estimates and revised our EPS estimate by 6%/24% for FY19E/FY20E. We value Ashoka Buildcon on SoTP method and arrived at target price of Rs. 327. EPC business at Rs.229 (14x FY20 EPS of Rs.16.4) and BOT projects at Rs.98 per share (10x FY20 EV/EBITDA). We reiterate BUY on the stock.

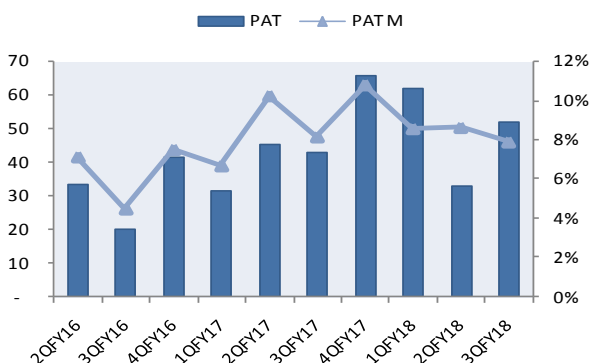
Segment wise Order Book (%)



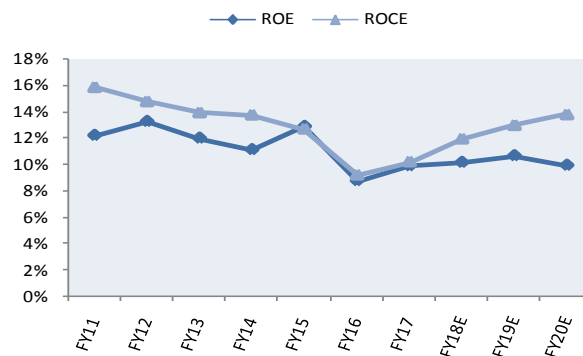
EBITDA M continue to be in range of 12-13%



PAT and PAT M Trend



Return Ratio to Improve



Financials Snap Shot

Income Statement				
	Rs in Crores			
Y/E March	FY17	FY18E	FY19E	FY20E
Revenue from Operation	2,052	2,476	3,178	4,173
Change (%)	6%	21%	28%	31%
EBITDA	260	317	397	522
Change (%)	5%	22%	25%	31%
Margin (%)	13%	13%	13%	13%
Dep & Amortization	51	48	54	59
EBIT	209	269	343	463
Interest & other finance cost	47	51	54	59
Other Income	72	48	49	60
EBT	233	266	338	464
Exceptional Item	-	-	-	-
Tax	49	59	81	158
Minority Int & P/L share of Ass.	-	-	-	-
Reported PAT	183	207	257	306
Adjusted PAT	183	207	257	306
Change (%)	23%	13%	24%	19%
Margin(%)	9%	8%	8%	7%

Key Ratios				
Y/E March	FY17	FY18E	FY19E	FY20E
ROE	10%	10%	11%	12%
ROCE	10%	12%	14%	16%
Asset Turnover	0.6	0.6	0.6	0.7
Debtor Days	105	105	105	100
Inventory Days	166	166	166	166
Payable Days	94	94	94	90
Interest Coverage	4.40	5.30	6.38	7.84
P/E	16	22	18	15
Price / Book Value	1.6	2.2	2.0	1.8
EV/EBITDA	12	14	12	9
FCF per Share	20	9	28	(1)
Dividend Yield	0.5%	0.4%	0.5%	0.5%

Balance Sheet				
	Rs in Crores			
Y/E March	FY17	FY18E	FY19E	FY20E
Share Capital	94	94	94	94
Reserves	1,771	1,958	2,189	2,466
Networth	1,864	2,051	2,283	2,559
Debt	177	199	219	255
Other Non Current Liab	202	294	849	849
Total Capital Employed	2,041	2,250	2,503	2,814
Net Fixed Assets (incl CWIP)	185	186	212	233
Non Current Investments	1,306	1,328	1,634	1,830
Other Non Current Assets	351	352	378	399
Non Current Assets	1,657	1,680	2,012	2,228
Inventory	931	1,126	1,445	1,898
Debtors	588	709	910	1,143
Cash & Bank	64	95	97	85
Other Current Assets	198	333	607	439
Current Assets	1,780	2,263	3,059	3,565
Creditors	528	637	817	1,029
Provisions	44	62	79	104
Other Current Liabilities	355	433	556	730
Curr Liabilities	1,195	1,399	1,720	2,131
Net Current Assets	586	864	1,339	1,434
Total Assets	3,438	3,943	5,071	5,793

Cash Flow Statement				
	Rs in Crores			
Y/E March	FY17	FY18E	FY19E	FY20E
PBT	233	266	338	464
(inc)/Dec in Working Capital	212	(29)	299	(313)
Non Cash Op Exp	51	48	54	59
Interest Paid (+)	47	-	-	-
Tax Paid	72	59	81	158
others	(16)	-	-	-
CF from Op. Activities	455	226	610	52
(inc)/Dec in FA & CWIP	(84)	(50)	(80)	(80)
Free Cashflow	371	176	530	(28)
(Pur)/Sale of Investment	132	147	524	11
others	57	-	-	-
CF from Inv. Activities	(158)	(197)	(604)	(69)
inc/(dec) in NW	-	-	-	-
inc/(dec) in Debt	292	22	21	35
Interest Paid	42	-	-	-
Dividend Paid (inc tax)	15	20	25	30
others	-	-	-	-
CF from Fin. Activities	(184)	1	(4)	6
Inc(Dec) in Cash	112	31	2	(12)
Add: Opening Balance	(172)	64	95	97
Closing Balance	(59)	95	97	85

Please refer to the Disclaimers at the end of this Report



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