

**BUY**

TP: Rs 170 | ▲ 62%

**ASHOKA BUILDCON**

Infrastructure

11 February 2020

## Disappointing quarter; execution to ramp up from FY21

Hampered by the prolonged monsoons and delayed AD in HAM projects, Ashoka Buildcon's (ASBL) Q3FY20 revenue declined 8% YoY. EBITDA margin was stable at 12.6% (12.7% est.) while PAT dropped 16% YoY to Rs 855mn (Rs 867mn est.). ASBL's Dec'19 order backlog stood at Rs 95.5bn (incl. L1; 2.5x TTM revenues). Debtor days remained high at 139 days (119 in Sep'19), while net D/E held at 0.2x. We trim FY20/FY21/FY22 EPS by 4%/10%/2% and maintain BUY with a revised Mar'21 TP of Rs 170 (from Rs 190).

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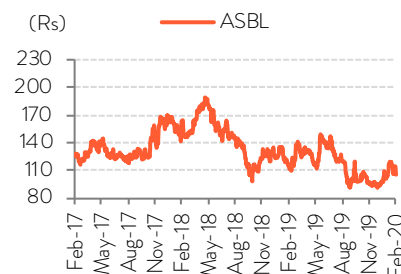
**Prolonged monsoon, delayed AD hit execution:** Q3 revenue fell 7.7% YoY to Rs 9.8bn vs. Rs 10.7bn estimated due to the extended monsoons (Vadodara-Kim/ Karnataka HAM projects most affected) and delayed award of appointed dates (AD) on HAM contracts. Revenue growth from the roads segment remained muted at Rs 7.4bn (+0.7% YoY), while power T&D (incl. railways) declined 32% YoY to Rs 1.7bn. Management has cut FY20 revenue growth guidance to ~15% from ~25%. With AD awarded for the two HAM projects in Oct'19 and for the Bundelkhand project in Dec'19, we expect a FY19-FY22 revenue CAGR of 13%.

Ticker/Price	ASBL IN/Rs 105
Market cap	US\$ 412.5mn
Shares o/s	281mn
3M ADV	US\$ 1.2mn
52wk high/low	Rs 155/Rs 88
Promoter/FPI/DII	54%/4%/32%

Source: NSE

**Gross debt rises; power T&D receivables unchanged:** Gross external debt went up to Rs 5.1bn as on Dec'19 (Rs 4.6bn as on Sep'19), but net D/E was unchanged QoQ at 0.2x. Debtor days remained high at 139 days due to higher receivables from the power T&D segment at ~Rs 6bn (unchanged QoQ). Collections were healthy at ~Rs 4bn in Jan'20 (roads EPC work from SPVs).

## STOCK PERFORMANCE



Source: NSE

**Maintain BUY:** Due to the slowdown in ordering activity, management has cut FY20 order inflow guidance from Rs 60bn-70bn to Rs 50bn-60bn and also scaled back revenue growth guidance from 25% to 15%. Hence, we pare our FY20/FY21/FY22 EPS by 4%/10%/2% and move to a new Mar'21 TP of Rs 170.

## KEY FINANCIALS (STANDALONE)

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	24,483	38,206	40,526	48,154	55,439
EBITDA (Rs mn)	2,954	5,152	5,288	6,140	6,831
Adj. net profit (Rs mn)	2,390	3,332	3,369	3,747	4,136
Adj. EPS (Rs)	8.5	11.9	12.0	13.3	14.7
Adj. EPS growth (%)	35.7	39.4	1.1	11.2	10.4
Adj. ROAE (%)	13.1	16.1	14.3	14.0	13.6
Adj. P/E (x)	12.3	8.8	8.7	7.8	7.1
EV/EBITDA (x)	10.9	5.9	6.3	5.9	5.2

Source: Company, BOBCAPS Research

BOB Capital Markets Ltd is a wholly owned subsidiary of Bank of Baroda

Important disclosures, including any required research certifications, are provided at the end of this report.



**FIG 1 – STANDALONE QUARTERLY AND 9M PERFORMANCE**

Particulars (Rs mn)	Q3FY20	Q3FY19	YoY (%)	Q2FY20	QoQ (%)	9MFY20	9MFY19	YoY (%)
<b>Revenue</b>	<b>9,836</b>	<b>10,651</b>	<b>(7.7)</b>	<b>8,223</b>	<b>19.6</b>	<b>26,827</b>	<b>25,133</b>	<b>6.7</b>
Total expenditure	8,592	9,164	(6.2)	6,994	22.8	23,260	21,796	6.7
<b>EBITDA</b>	<b>1,243</b>	<b>1,487</b>	<b>(16.4)</b>	<b>1,229</b>	<b>1.2</b>	<b>3,567</b>	<b>3,337</b>	<b>6.9</b>
EBITDA margin (%)	12.6	14.0	(132bps)	14.9	(230bps)	13.3	13.3	2bps
Other income	369	254	45.3	392	(5.8)	1,103	777	41.9
Depreciation	283	202	40.6	271	4.4	821	503	63.2
<b>EBIT</b>	<b>1,329</b>	<b>1,540</b>	<b>(13.7)</b>	<b>1,349</b>	<b>(1.5)</b>	<b>3,849</b>	<b>3,611</b>	<b>6.6</b>
EBIT margin (%)	13.5	14.5	(94bps)	16.4	(290bps)	14.3	14.4	(2bps)
Interest	200	239	(16.3)	231	(13.5)	645	540	19.4
<b>PBT</b>	<b>1,129</b>	<b>1,301</b>	<b>(13.2)</b>	<b>1,118</b>	<b>1.0</b>	<b>3,204</b>	<b>3,071</b>	<b>4.3</b>
PBT margin (%)	11.5	12.2	(73bps)	13.6	(212bps)	11.9	12.2	(27bps)
<b>Tax</b>	<b>274</b>	<b>281</b>	<b>(2.8)</b>	<b>391</b>	<b>(30.0)</b>	<b>975</b>	<b>792</b>	<b>23.2</b>
Effective tax rate (%)	24.2	21.6	260bps	35.0	(1,074bps)	30.4	25.8	466bps
<b>Adjusted PAT</b>	<b>855</b>	<b>1,019</b>	<b>(16.1)</b>	<b>727</b>	<b>17.7</b>	<b>2,229</b>	<b>2,279</b>	<b>(2.2)</b>
Exceptions	-	(398)	-	-	NM	-	(398)	NM
<b>Reported PAT</b>	<b>855</b>	<b>622</b>	<b>37.6</b>	<b>727</b>	<b>17.7</b>	<b>2,229</b>	<b>1,882</b>	<b>18.5</b>
Adjusted Pat margin (%)	8.7	9.6	(87bps)	8.8	(14bps)	8.3	9.1	(76bps)
EPS (Rs)	3.0	3.6	(16.1)	2.6	17.7	7.9	8.1	(2.2)

Source: Company, BOBCAPS Research

## Earnings call highlights

- FY20 guidance:** Management expects revenue growth of ~15% (~25% earlier), capex of ~Rs 500mn (9M capex at Rs 360mn), and mobilisation advances of ~Rs 2.5bn. Q4 order inflow is guided at Rs 30bn-40bn.
- FY21 guidance:** Management has guided for revenue growth of 10-15% based on the current order backlog of Rs 95.5bn. But with order wins of Rs 30bn-40bn targeted in the remainder of Q4FY20, management believes the growth guidance could rise to 25%. Capex for FY21 is guided at ~Rs 800mn.
- Bid pipeline:** ASBL intends to participate in the ~Rs 300bn NHAI bid pipeline that it estimates will come up during the remainder of Q4FY20.
- Other income:** The sharp 45% YoY increase in other income to Rs 369mn in Q3 was mainly due to interest income of ~Rs 300mn on advances given to subsidiaries.
- Vadodara-Kim (Pkg IV, Gujarat) project update:** Due to heavy monsoons in the region, the bridge constructed over the Narmada river was damaged and needs to be reconstructed. As per management, the project is adequately insured and hence the company will be able to recover the damages. Execution timelines remain unchanged and hence ASBL has put in additional resources at the site. Revenue from the project in Q3 was at Rs 1.1bn (-25% YoY).

- **Land status at HAM projects:** For the Karnataka HAM project of Tumkur-Shivamoga (Pkg IV), land availability stands at ~46% in the 3H stage and ~60% in the 3G stage. The concession agreement was signed at the end of Jan'20 and management expects the project to commence execution in the next six months (on ~80% land availability). For the recently won HAM project of Kandi-Ramsanpalle in Telangana, land availability stands at ~95% in the 3H stage; management expects execution to begin in four months (concession agreement signed in Jan'20).
- **Equity commitments in HAM & CGD contracts:**
  - So far ~Rs 4.9bn has been invested in HAM projects. Further equity likely to be infused in Q4FY20/FY21/FY22 totals Rs 760mn/ Rs 2.4bn/Rs 1.3bn.
  - Equity investment in the CGD business stands at ~Rs 510mn (ASBL's share of 51% stake), with no further commitment in the next 2-3 years.
- **Status of HAM projects under execution:** ASBL has applied for provisional commercial operation date (PCOD) in the Kharar-Ludhiana project (likely to be awarded by end-Mar'20). Execution on the outstanding order backlog of Rs 3.1bn is likely to move slowly due to land acquisition issues (~91% land available). The company expects to apply for PCOD in the Ranastalam-Anandpuram project in Q1FY21.
- **Toll collection:** Toll collection remained muted in Q3 due to lower traffic amid the economic slowdown, revised norms for multi-axle vehicles and diversion of traffic at Jaora-Nayaagaon due to ongoing construction activity (likely to be recouped from Q2FY21). Gross toll collection for the quarter grew 0.8% YoY to Rs 2.4bn (down 1.7% YoY to Rs 2.3bn on like-to-like basis). In Q3, traffic declined by ~3% YoY.
- **Dec'19 key balance sheet items:** Debtors stood at ~Rs 15bn, retentions at ~Rs 2.3bn, cash & bank balance at ~Rs 500mn, mobilisation advances at ~Rs 3.4bn and gross debt at ~Rs 5.8bn (incl. borrowings from subsidiaries).
- **Bank limits:** The fund-based limit stands at ~Rs 5.5bn and non-fund-based limit at Rs 38bn (60% utilised). Total bank limit stands at Rs 43.5bn.
- **SBI-Macquarie's exit from ACL (ASBL stake 61%, SBI-M stake 39%):** Ashoka Construction's (ACL) committed IRR of 12% to SBI-M in the Sambalpur-Baragarh project is due to end this calendar year (Jul'19). SBI-M was to exit its investment in ACL by the end of Mar'19. It has received an extension of two years, but is still evaluating various exit options. As per management, both stakeholders ASBL and SBI-M are now opting for an exit

from ACL projects via a stake sale, and the deal is likely to be concluded by end-Mar'20.

SBI-M has invested ~Rs 8bn over a period of three years (Jan'13 to Dec'15). The current enterprise value (EV) of the portfolio stands at Rs 56bn (external debt at Rs 37bn and equity including sub-debt at Rs 19bn; includes loss funding of ~Rs 3bn in Sambalpur-Baragarh project, SBI-M's investment at Rs 8bn and ACL's at Rs 11bn). However, due to shortfall in the committed IRR of 12% in Sambalpur-Baragarh, SBI-M's revised investment value in the portfolio now stands at ~Rs 15bn and its stake has been accordingly revised upwards from 31% to 39%.

- **ACL's assets (incl. HAM projects):** As on Dec'19, the combined EV of ACL's assets stood at ~Rs 72bn which comprises equity including sub-debt at ~Rs 24bn (includes ~Rs 5bn of equity invested in HAM projects) and debt at ~Rs 48bn. The company is also planning to sell a stake in its HAM portfolio (nine projects – seven under construction) and is in advanced discussion with prospective investors.
- **Acquisition of stake in Mudhol-Nipani SPV:** ASBL has acquired the balance 29% equity stake in the SPV 'Ashoka GVR Mudhol Nipani Roads Limited' held by GVR Infra Projects. With this, it now holds 99.99% equity share in the SPV. The consideration of Rs 357mn for the transaction has already been paid for in cash.
- **Arbitration status in NHAI projects:** ASBL's total arbitration claim stands at ~Rs 5.5bn (four projects). So far, the company have received arbitration awards in its favour for claims worth ~Rs 2bn (three projects; likely to be settled soon through reconciliation).

**FIG 2 – SEGMENTAL BREAKUP OF REVENUE**

Particulars (Rs mn)	Q3FY18	Q4FY18	FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	FY19	Q1FY20	Q2FY20	Q3FY20
<b>Revenue</b>											
- Construction & contract related	6,148	6,607	22,680	6,353	7,140	10,195	12,202	35,890	8,302	7,757	9,364
- BOT (Toll)	87	69	311	94	71	78	75	317	84	97	61
- Sale of goods (RMC, ect.)	354	347	1,370	390	433	378	798	1,999	382	370	410
<b>Total</b>	<b>6,589</b>	<b>7,023</b>	<b>24,361</b>	<b>6,837</b>	<b>7,644</b>	<b>10,651</b>	<b>13,074</b>	<b>38,206</b>	<b>8,768</b>	<b>8,223</b>	<b>9,836</b>
<b>% growth YoY</b>											
Revenue											
- Construction & contract related	26.4	16.5	19.8	(4.5)	111.1	65.8	84.7	58.2	30.7	8.6	(8.2)
- BOT (Toll)	44.3	(38.4)	(1.9)	19.4	(7.7)	(11.0)	8.0	1.7	(10.8)	36.4	(21.5)
- Sale of goods (RMC, ect.)	11.9	9.6	13.3	10.2	32.1	6.7	129.7	45.9	(2.1)	(14.7)	8.5
<b>Total</b>	<b>25.7</b>	<b>15.1</b>	<b>19.1</b>	<b>(3.5)</b>	<b>101.9</b>	<b>61.6</b>	<b>86.2</b>	<b>56.8</b>	<b>28.2</b>	<b>7.6</b>	<b>(7.7)</b>

Source: Company, BOBCAPS Research

**FIG 3 – ORDER BACKLOG BREAKUP (RS 95.5BN INCLUDING L1 PROJECTS; ~85% EXECUTABLE)**

Particulars (Rs mn)	Q3FY18	Q4FY18	FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	FY19	Q1FY20	Q2FY20	Q3FY20
<b>Order backlog</b>											
-Roads EPC (Third Party - non-captive)	19,211	20,191	20,191	27,669	26,231	25,420	21,240	21,240	20,661	18,093	25,696
-Roads EPC (BOT/HAM - captive)	23,058	22,367	22,367	56,845	53,716	48,934	56,024	34,784	41,696	38,145	34,110
-Power T&D	17,157	15,931	15,931	23,312	17,690	13,568	10,624	10,624	8,280	7,162	10,458
-Railways	-	-	-	-	-	7,451	7,726	7,726	10,950	10,677	9,930
-CGD	-	-	-	-	-	-	966	966	96	778	730
<b>Total</b>	<b>59,425</b>	<b>58,488</b>	<b>58,488</b>	<b>1,07,830</b>	<b>97,637</b>	<b>95,373</b>	<b>96,580</b>	<b>96,580</b>	<b>81,683</b>	<b>74,855</b>	<b>80,924</b>
<b>Book-to-bill ratio (x)</b>	<b>2.7</b>	<b>2.6</b>	<b>2.6</b>	<b>4.8</b>	<b>3.7</b>	<b>3.1</b>	<b>2.7</b>	<b>2.7</b>	<b>2.2</b>	<b>1.9</b>	<b>2.2</b>
<b>Order backlog share (%)</b>											
-Roads EPC (Third Party - non-captive)	32.3	34.5	34.5	25.7	26.9	26.7	22.0	22.0	25.3	24.2	31.8
-Roads EPC (BOT/HAM - captive)	38.8	38.2	38.2	52.7	55.0	51.3	58.0	36.0	51.0	51.0	42.2
-Power T&D	28.9	27.2	27.2	21.6	18.1	14.2	11.0	11.0	10.1	9.6	12.9
-Railways	-	-	-	-	-	7.8	8.0	8.0	13.4	14.3	12.3
-CGD	-	-	-	-	-	-	1.0	1.0	0.1	1.0	0.9
<b>Order inflow</b>	<b>4,500</b>	<b>6,621</b>	<b>11,121</b>	<b>55,695</b>	<b>-</b>	<b>7,451</b>	<b>14,332</b>	<b>77,478</b>	<b>-</b>	<b>-</b>	<b>19,792</b>

Source: Company, BOBCAPS Research

**FIG 4 – GROSS EXTERNAL DEBT PROFILE\***

Debt (Rs mn)	Dec-17	Mar-18	FY18	Jun-18	Sep-18	Dec-18	Mar-19	FY19	Jun-19	Sep-19	Dec-19
Project debt	45,416	46,357	46,357	46,542	47,025	48,864	49,591	49,591	50,529	52,722	52,164
Standalone debt	2,549	78	78	1,148	3,880	5,928	7,199	7,199	5,810	4,581	5,146
NCD's (ACL)	-	-	-	-	-	-	-	-	-	1,500	1,500
<b>Consolidated debt</b>	<b>47,965</b>	<b>46,435</b>	<b>46,435</b>	<b>47,690</b>	<b>50,905</b>	<b>54,792</b>	<b>56,790</b>	<b>56,790</b>	<b>56,339</b>	<b>58,803</b>	<b>58,810</b>
Standalone debt break-up											
-Equipment loan	818	1,041	1,041	1,102	1,131	2,370	2,445	2,445	2,372	2,276	2,159
-Working capital	1,731	37	37	46	2,749	2,058	3,254	3,254	1,938	805	1,486
-NCDs	-	-	-	-	-	1,500	1,500	1,500	1,500	1,500	1,500
<b>Total gross debt</b>	<b>2,549</b>	<b>1,078</b>	<b>1,078</b>	<b>1,148</b>	<b>3,880</b>	<b>5,928</b>	<b>7,199</b>	<b>7,199</b>	<b>5,810</b>	<b>4,581</b>	<b>5,145</b>

Source: Company, BOBCAPS Research | \*Excludes debt taken from subsidiaries

**FIG 5 – REVENUE MIX**

Revenue break-up	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20
-Roads	5,033	3,760	7,365	9,380	6,840	6,440	7,420
-Power T&D + Railways	1,320	3,380	2,480	2,980	1,470	1,400	1,690
<b>% share</b>							
-Roads	79.2	52.7	74.8	75.9	82.3	82.1	81.4
-Power T&D + Railways	20.8	47.3	25.2	24.1	17.7	17.9	18.6

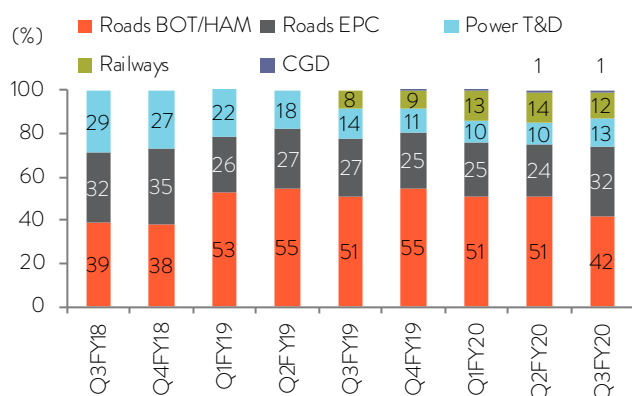
Source: Company, BOBCAPS Research

**FIG 6 – GROSS TOLL COLLECTION TREND**

(Rs mn)	Q3FY18	Q4FY18	FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	FY19	Q1FY20	Q2FY20	Q3FY20
Belgaum Dharwad	231	224	878	230	217	233	235	915	237	213	234
Dhankuni Kharagpur	783	849	3,176	893	888	867	884	3,531	905	915	907
Bhandara Project	168	174	648	167	160	168	178	674	174	168	180
Durg	202	207	785	195	193	199	207	794	198	190	200
Jaora - Nayagaon	530	523	2,029	516	516	497	490	2,020	460	432	439
Sambalpur Baragarh	166	180	633	180	173	181	184	718	171	166	164
<b>Total ACL projects</b>	<b>2,080</b>	<b>2,158</b>	<b>8,149</b>	<b>2,181</b>	<b>2,147</b>	<b>2,146</b>	<b>2,177</b>	<b>8,650</b>	<b>2,145</b>	<b>2,085</b>	<b>2,123</b>
Ahmednagar-Aurangabad	81	69	278	94	71	78	75	317	84	97	61
Waiganaga Bridge	77	80	303	75	71	74	79	298	77	72	74
Katni Bypass	53	57	209	58	48	55	54	215	60	50	54
<b>Total Non-ACL projects</b>	<b>211</b>	<b>205</b>	<b>790</b>	<b>227</b>	<b>191</b>	<b>206</b>	<b>207</b>	<b>830</b>	<b>220</b>	<b>219</b>	<b>189</b>
Others	244	90	798	123	174	6	5	309	8	52	64
<b>Gross toll collections</b>	<b>2,534</b>	<b>2,454</b>	<b>9,737</b>	<b>2,530</b>	<b>2,512</b>	<b>2,358</b>	<b>2,389</b>	<b>9,789</b>	<b>2,373</b>	<b>2,355</b>	<b>2,376</b>
<b>Like-to-like revenue (ex-others)</b>	<b>2,291</b>	<b>2,364</b>	<b>8,939</b>	<b>2,407</b>	<b>2,338</b>	<b>2,352</b>	<b>2,384</b>	<b>9,480</b>	<b>2,365</b>	<b>2,303</b>	<b>2,312</b>
<b>% growth YoY</b>											
Belgaum Dharwad	21.6	16.6	17.7	7.2	4.2	1.0	4.6	4.2	3.0	(2.1)	0.4
Dhankuni Kharagpur	14.3	15.6	16.4	13.6	17.2	10.7	4.0	11.2	1.3	3.1	4.6
Bhandara Project	30.7	23.8	27.3	6.8	7.0	0.3	2.1	4.0	4.3	4.9	6.7
Durg	31.1	35.5	29.1	2.5	4.0	(1.5)	(0.2)	1.1	1.6	(1.1)	0.2
Jaora - Nayagaon	186.2	170.8	171.6	9.1	2.7	(6.1)	(6.4)	(0.4)	(11.0)	(16.3)	(11.8)
Sambalpur Baragarh	(63.1)	(61.4)	(63.8)	23.8	22.3	9.2	2.0	13.3	(4.6)	(4.1)	(9.3)
<b>Total ACL projects</b>	<b>16.1</b>	<b>14.8</b>	<b>15.0</b>	<b>10.9</b>	<b>10.4</b>	<b>3.2</b>	<b>0.8</b>	<b>6.2</b>	<b>(1.6)</b>	<b>(2.9)</b>	<b>(1.1)</b>
Ahmednagar-Aurangabad	(11.3)	10.2	(4.1)	45.5	10.1	(3.7)	8.1	14.0	(10.8)	36.2	(21.3)
Waiganaga Bridge	5.8	2.4	2.7	(0.9)	1.1	(4.8)	(1.0)	(1.6)	2.4	1.5	0.3
Katni Bypass	12.2	11.2	7.2	4.8	11.0	2.8	(5.3)	2.8	3.1	2.9	(0.6)
<b>Total Non-ACL projects</b>	<b>(0.1)</b>	<b>7.3</b>	<b>1.3</b>	<b>16.0</b>	<b>6.8</b>	<b>(2.5)</b>	<b>0.9</b>	<b>5.1</b>	<b>(2.9)</b>	<b>14.8</b>	<b>(8.1)</b>
<b>Gross toll collections</b>	<b>20.6</b>	<b>13.7</b>	<b>19.6</b>	<b>4.9</b>	<b>7.5</b>	<b>(7.0)</b>	<b>(2.6)</b>	<b>0.5</b>	<b>(6.2)</b>	<b>(6.2)</b>	<b>0.8</b>
<b>Like-to-like revenue (ex-others)</b>	<b>14.4</b>	<b>14.1</b>	<b>13.6</b>	<b>11.4</b>	<b>10.1</b>	<b>2.7</b>	<b>0.8</b>	<b>6.1</b>	<b>(1.7)</b>	<b>(1.5)</b>	<b>(1.7)</b>

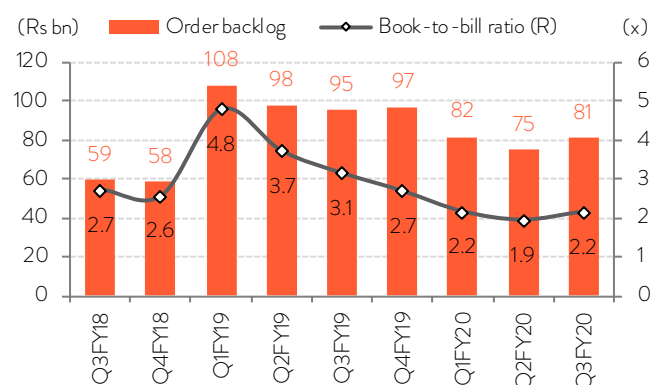
Source: Company, BOBCAPS Research

**FIG 7 – SEGMENTAL ORDER BACKLOG BREAKUP**



Source: Company, BOBCAPS Research

**FIG 8 – STRONG ORDER BACKLOG OF RS 80.9BN\***



Source: Company, BOBCAPS Research | \*Rs 95.5bn including L1 projects

## Valuation methodology

ASBL offers an attractive combination of strong execution capabilities, low leverage and compelling valuations. We believe an uptick in traffic movement along its toll-road stretches will improve predictability of cash flows from operational assets. Further, with a well-capitalised balance sheet and core focus on the roads segment, the company is positioned to exploit upcoming growth opportunities offered by India's roads sector, especially from the ~Rs 800bn bid pipeline expected to flow from NHAI in the remainder of FY20.

Due to the slowdown in ordering activity, management has cut FY20 order inflow guidance from Rs 60bn-70bn to Rs 50bn-60bn and also scaled back revenue growth guidance from 25% to 15%. Following the Q3FY20 results, we pare our FY20/FY21/FY22 EPS estimates by 4%/10%/2% to build in below-expected revenues and lower order inflows. ASBL is trading at 8.7x/7.8x/7.1x FY20E/FY21E/FY22E standalone earnings. We reiterate BUY with a revised Mar'21 SOTP-based target price of Rs 170 (from Rs 190).

**FIG 9 – REVISED ESTIMATES**

(Rs mn)	FY20E			FY21E			FY22E		
	Old	New	Change (%)	Old	New	Change (%)	Old	New	Change (%)
Revenue	45,093	40,526	(10.1)	51,515	48,154	(6.5)	55,131	55,439	0.6
EBITDA	5,777	5,288	(8.5)	6,624	6,140	(7.3)	6,879	6,831	(0.7)
EBITDA margin (%)	12.8	13.0	24bps	12.9	12.8	(1bps)	12.5	12.3	(15bps)
Adjusted PAT	3,521	3,369	(4.3)	4,173	3,747	(10.2)	4,202	4,136	(1.6)
PAT margin (%)	7.8	8.3	51bps	8.1	7.8	(32bps)	7.6	7.5	(16bps)

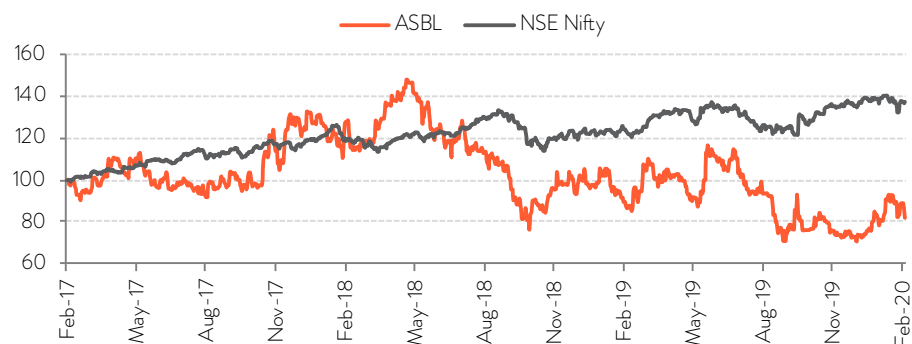
Source: Company, BOBCAPS Research

For our SOTP model, we value (i) the standalone business at Rs 118/sh based on 8x Mar'22E earnings, and (ii) operational, HAM and CGD assets (61% stake in ACL assets and pro-rata stake in own assets) at Rs 53/sh using DCF and P/BV, assuming cost of equity at 13-17% for operational assets and 0.5-1x P/BV for equity invested up to Mar'21E in HAM (1x P/BV) and CGD (0.5x P/BV) projects.

**FIG 10 – SOTP-BASED MAR'21 TARGET PRICE OF RS 170**

Business	Basis of valuation	Mar'21 value (Rs mn)	Mar'21 value (Rs mn)
(a) Value of ABL assets	NPV/P/Bv for CGD business	5,870	21
(b) Value of ABL is ACL assets	NPV/P/Bv for HAM projects (pro-rata stake of 61%)	8,880	32
<b>(I) Total value of assets (a+b)</b>		<b>14,751</b>	<b>53</b>
<b>(II) Value of standalone business</b>	<b>8x P/E on Mar'22E earnings</b>	<b>33,085</b>	<b>118</b>
<b>Total (I + II)</b>		<b>47,836</b>	<b>170</b>
O/s share (mn)		281	

Source: Company, BOBCAPS Research

**FIG 11 – RELATIVE STOCK PERFORMANCE**

Source: NSE

### Key risks

- **Slowdown in road sector capex:** Capex in the roads sector has witnessed some revival over the last two years. Any slowdown in project awarding would impact the company's growth and our estimates.
- **Delayed execution of projects in hand:** Delays in execution of projects in hand due to hurdles in land acquisition, slow award of appointed dates or other regulatory bottlenecks could adversely affect ASBL's revenue. In addition, its IRR for under-construction projects can be dampened by execution delays.
- **Slowdown in traffic:** Slowdown in economic activity in areas where ASBL's toll BOT projects are based may lead to below-expected revenue collection, resulting in negative free cash flows. This may cause the company to infuse further equity from its standalone balance sheet to support its BOT SPVs.



## FINANCIALS (STANDALONE)

### Income Statement

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Total revenue</b>	<b>24,483</b>	<b>38,206</b>	<b>40,526</b>	<b>48,154</b>	<b>55,439</b>
EBITDA	2,954	5,152	5,288	6,140	6,831
Depreciation	(532)	(763)	(1,117)	(1,229)	(1,445)
EBIT	1,936	3,482	3,290	3,992	4,509
Net interest income/(expenses)	(485)	(907)	(881)	(919)	(876)
Other income/(expenses)	978	1,157	1,448	1,046	1,051
Exceptional items	0	0	0	0	0
EBT	2,915	4,640	4,737	5,037	5,561
Income taxes	(524)	(1,307)	(1,368)	(1,290)	(1,425)
Extraordinary items	0	(470)	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
<b>Reported net profit</b>	<b>2,390</b>	<b>2,862</b>	<b>3,369</b>	<b>3,747</b>	<b>4,136</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>2,390</b>	<b>3,332</b>	<b>3,369</b>	<b>3,747</b>	<b>4,136</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Accounts payables	6,097	8,867	9,338	11,162	12,910
Other current liabilities	6,727	6,649	5,878	6,632	7,670
Provisions	604	700	743	885	1,024
Debt funds	1,599	7,883	6,983	6,483	5,233
Other liabilities	4,980	6,866	7,517	8,590	9,618
Equity capital	936	1,404	1,404	1,404	1,404
Reserves & surplus	18,327	20,717	23,726	27,174	31,010
Shareholders' fund	19,263	22,120	25,130	28,577	32,413
<b>Total liabilities and equities</b>	<b>39,269</b>	<b>53,086</b>	<b>55,588</b>	<b>62,329</b>	<b>68,870</b>
Cash and cash eq.	1,235	550	540	580	697
Accounts receivables	10,117	15,513	15,161	17,465	20,208
Inventories	5,031	7,623	8,240	9,849	11,460
Other current assets	1,996	1,215	1,648	1,970	2,278
Investments	13,462	13,641	14,015	14,015	14,015
Net fixed assets	2,174	3,799	3,196	2,867	2,921
CWIP	150	55	41	41	41
Intangible assets	0	0	0	0	0
Deferred tax assets, net	349	518	518	518	518
Other assets	4,755	10,171	12,229	15,024	16,731
<b>Total assets</b>	<b>39,269</b>	<b>53,086</b>	<b>55,588</b>	<b>62,329</b>	<b>68,870</b>

Source: Company, BOBCAPS Research

**Cash Flows**

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income + Depreciation	2,923	3,625	4,487	4,977	5,581
Interest expenses	485	907	881	919	876
Non-cash adjustments	0	0	0	0	0
Changes in working capital	(113)	(7,948)	(2,362)	(3,237)	(2,415)
Other operating cash flows	0	0	0	0	0
<b>Cash flow from operations</b>	<b>3,295</b>	<b>(3,416)</b>	<b>3,006</b>	<b>2,659</b>	<b>4,043</b>
Capital expenditures	(987)	(2,273)	(500)	(900)	(1,500)
Change in investments	(398)	(179)	(375)	0	0
Other investing cash flows	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(1,385)</b>	<b>(2,452)</b>	<b>(875)</b>	<b>(900)</b>	<b>(1,500)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(406)	6,284	(900)	(500)	(1,250)
Interest expenses	(485)	(907)	(881)	(919)	(876)
Dividends paid	(360)	0	(360)	(299)	(299)
Other financing cash flows	(62)	(194)	0	0	0
<b>Cash flow from financing</b>	<b>(1,313)</b>	<b>5,183</b>	<b>(2,141)</b>	<b>(1,719)</b>	<b>(2,426)</b>
<b>Changes in cash and cash eq.</b>	<b>596</b>	<b>(685)</b>	<b>(10)</b>	<b>40</b>	<b>117</b>
<b>Closing cash and cash eq.</b>	<b>1,235</b>	<b>550</b>	<b>540</b>	<b>580</b>	<b>697</b>

**Per Share**

Y/E 31 Mar (Rs)	FY18A	FY19A	FY20E	FY21E	FY22E
Reported EPS	8.5	10.2	12.0	13.3	14.7
Adjusted EPS	8.5	11.9	12.0	13.3	14.7
Dividend per share	1.1	0.0	1.1	1.1	1.1
Book value per share	68.6	78.8	89.5	101.8	115.5

**Valuations Ratios**

Y/E 31 Mar (x)	FY18A	FY19A	FY20E	FY21E	FY22E
EV/Sales	1.3	0.8	0.8	0.8	0.6
EV/EBITDA	10.9	5.9	6.3	5.9	5.2
Adjusted P/E	12.3	8.8	8.7	7.8	7.1
P/BV	1.5	1.3	1.2	1.0	0.9

**DuPont Analysis**

Y/E 31 Mar (%)	FY18A	FY19A	FY20E	FY21E	FY22E
Tax burden (Net profit/PBT)	82.0	71.8	71.1	74.4	74.4
Interest burden (PBT/EBIT)	150.5	133.2	144.0	126.2	123.3
EBIT margin (EBIT/Revenue)	7.9	9.1	8.1	8.3	8.1
Asset turnover (Revenue/Avg TA)	66.4	82.7	74.6	81.7	84.5
Leverage (Avg TA/Avg Equity)	2.0	2.2	2.3	2.2	2.2
Adjusted ROAE	13.1	16.1	14.3	14.0	13.6

Source: Company, BOBCAPS Research | Note: TA = Total Assets

**Ratio Analysis**

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
<b>YoY growth (%)</b>					
Revenue	21.6	56.1	6.1	18.8	15.1
EBITDA	21.7	74.4	2.6	16.1	11.3
Adjusted EPS	35.7	39.4	1.1	11.2	10.4
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	12.1	13.5	13.0	12.8	12.3
EBIT margin	7.9	9.1	8.1	8.3	8.1
Adjusted profit margin	9.8	8.7	8.3	7.8	7.5
Adjusted ROAE	13.1	16.1	14.3	14.0	13.6
ROCE	17.2	22.2	18.4	18.0	18.0
<b>Working capital days (days)</b>					
Receivables	153	149	138	133	133
Inventory	76	73	75	75	75
Payables	92	85	85	85	85
<b>Ratios (x)</b>					
Gross asset turnover	5.6	6.3	5.4	5.9	5.9
Current ratio	1.2	1.5	1.6	1.6	1.6
Net interest coverage ratio	4.0	3.8	3.7	4.3	5.1
Adjusted debt/equity	0.0	0.3	0.3	0.2	0.1

Source: Company, BOBCAPS Research

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### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

### HISTORICAL RATINGS AND TARGET PRICE: ASHOKA BUILDCON (ASBL IN)



B – Buy, A – Add, R – Reduce, S – Sell

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