

CMP: INR 98
Outlook : Positive

Stock Info

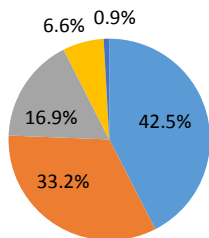
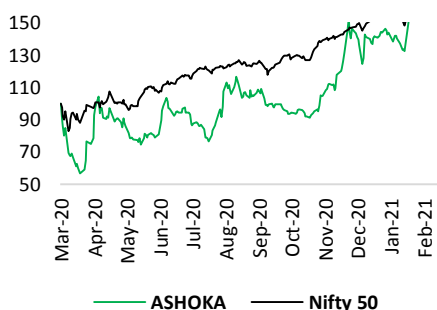
BSE	533271
NSE	ASHOKA
Bloomberg	ASBL:IN
Reuters	ABBL.BO
Sector	COUNSTRUCTION
Face Value (Rs)	5
Equity Capital (Rs mn)	1404
Mkt Cap (Rs mn)	27538
52w H/L (INR)	119 / 51
Avg Yearly Volume (in 000')	43.28

Shareholding Pattern %

(As on March, 2021)

Promoters	54.5
Public & Others	45.5

Ashoka Buildcon Vs Nifty



Ashoka Buildcon Limited (ABL) is an India-based infrastructure development company. The Company is engaged in construction and maintenance of roads, and supporting services to land support-operation of toll roads and others. The Company operates through three segments: Construction and Contract related activities; BOT Projects, and Sales of Goods. Its Construction and Contract related activities segment consists of execution of engineering and construction projects to provide solutions in civil and electrical engineering (on turnkey basis or otherwise) to core/infrastructure sectors. The Company's BOT Activity relates to execution of projects on long-term basis comprising developing, operating and maintaining the infrastructure facility. The Sales of Goods segment includes the activity of selling of ready mix concrete (RMC), plain cement concrete (PCC) poles, software and bitumen. The Company has projects under construction in the States of Tamil Nadu, Karnataka, Odisha and West Bengal.

Key Positive Triggers

Asset Monetization & Equity Infusion : ABL expects closure of SBI-Macquarie deal by end Q2FY22 . (has received binding offer by potential investors; currently under evaluation stage). The deal has been in process and potential bidders are waiting for rise in SPV. The company is also looking to monetize few of its existing & under complete projects once it is completed.

Strong Order Book: The Company has an order book of INR 81669 Mn as on Q4FY21. Order Book Mix stands at 43% Road HAM Project, 33% Road EPC 17% Power Projects 7% in Railways. Going forward, the management has guided for order inflow of INR 70,000 Mn in the rest of FY22, with higher competitive intensity in roads and highways segment. On the execution front, the management expects a pick-up with desired level of labour availability and improvement in executable order book. Going forward company is expecting 70% orders in road segment and 30% in others segment.

Toll collections expected to be robust: Toll collection has witnessed revival and witnessed healthy growth in Q4 and grew by 18 pc YoY to INR 2619 mn. We believe revenue growth to be much higher for next 12-15 months due to base effect and recovery in economy.

Outlook : We believe Asset Monetization of EPC business coupled with strong order book of the company will lead to rerating of the Stock. On valuation front At cmp of INR 98, ABL trades at P/E multiple of 11(x) and 8.2x to its FY22E & FY23E. We value the stock at P/E multiple of 11(x) to its FY23e EPS to arrive at a price objective of INR 132 which looks quite attractive. we have positive outlook on the stock on the back of above mentioned factors. However, factors such as impact of second wave of covid, persistent delay in SBI Macquarie stake sale, and rising commodity prices remain a concern going ahead .

Financials

in Mn	FY20	FY21	FY22E	FY23E
Revenue	50705	49917	58250	63700
EBITDA	16569	16657	16893	18473
EBITDAM (%)	32	33	29	29
PAT	1604	2735	2430	3370
PATM (%)	3.1	5.3	4.2	5.3
EPS	5.7	9.7	8.7	12
EV/EBIDTA(x)	4.7	4.9	3.3	1.9
PE(x)	17	10	11	8.2

Sector update:

Despite covid related disruption the pace for highway development reaches 36.4 km per day in FY 2021 backed by liquidity measures and relaxation of norms. This gives confidence that the government target of 40 Km per day will be accomplished.

Government has decided to spend 15 lakh crore for highway development.

Potential triggers :

- Monetization
- Economic Revival
- Pick up in government spending
- Good bid pipeline
- Valuation rerating post monetization
- Likely hood of rating upgrade post asset monetization.
- Interest cost saving as decline in cost of Interest.
- Strong balance sheet
- Pick up in execution

Valuation At cmp of INR 98, ABL trades at P/E multiple of 11(x) and 8.2x to its FY22E & FY23E. We value the stock at P/E multiple of 11(x) to its FY23E to arrive at a price objective of INR 132 which looks quite attractive.

Management Meet Highlights:

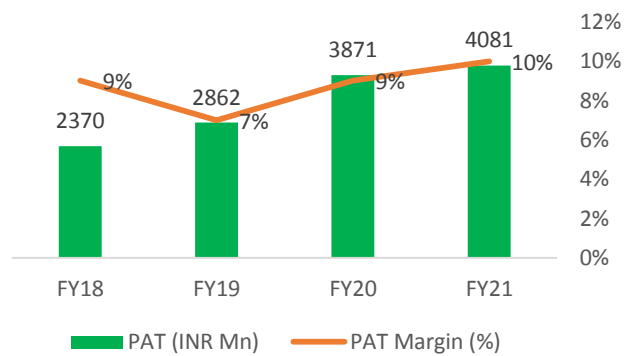
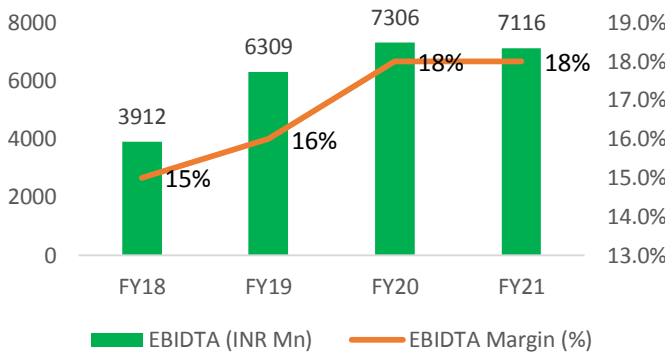
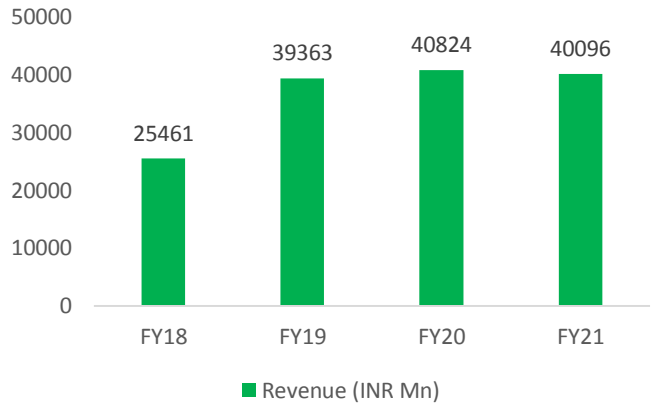
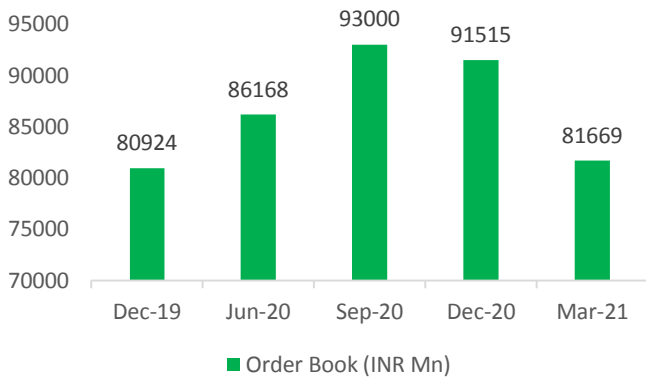
- Despite covid related disruption the pace for highway development reaches 36.4 km per day in FY 2021 backed by liquidity measures and relaxation of norms. This gives confidence that the government target of 40 Km per day will be accomplished. Government has decided to spend 15 lakh crore for highway development.
- Toll Collection started picking up in H2FY21 however second wave of Covid impacted toll collection. Toll collection is gradually picking up, However for FY22 it is expected to have double digit growth .
- Company was maintaining good project efficiency in FY21 however second wave of Covid did drop project execution efficiency by 20 % .
- The Company has emerged as an L-1 for project worth INR. 7260 mn (including GST) on EPC basis from NHAI under Bharatmala Pariyojana - Package-II. Project entails development of Memmadpur (Ambala) -Banur (IT City Chowk) — Kharar (Chandigarh) Corridor - 6 laning of IT City Chowk to Kurali Chandigarh Road (Design length: 31.23 Km) in Punjab on EPC mode.
- The Company has received an order from Gujarat Rail Infrastructure Development Corporation Limited(G-RIDE) worth INR. 3340 mn (including GST). The project includes 'Gauge Conversion of Bechraji (63.83KM) – Ranuj (101.983 KM) Section; Total Length of 38.153 KM Metre Gauge to Broad Gauge with 25 KVAC Electrification in Ahmedabad Division of Western Railway.
- The Company has bagged an order from Fahi Dhiriulhun Corporation, a State-owned company of the Government of the Republic of the Maldives amounting USD 140.33 million (~INR.1,0180 mn) for the Project viz. 'Design and Construction of 2000 Social Housing Units in Hulhumale, Republic of Maldives' on EPC basis..
- As on 31st March 2021, Total order book of the Company stands at INR.8,1670 mn, excludes orders worth INR.1,9490 mn which includes LOA received for Maldives EPC project, G-RIDE project and L-1 for Punjab EPC road project. Of the total Order Book, contribution from Roads HAM and Roads EPC is INR.3,4710 mn and INR.2,7120 mn respectively, Power T&D & others is INR.1,3760 mn , Railways is INR.5370 mn and CGD contributes the rest.
- The Company has entered into a share purchase agreement (SPA) with India Infrastructure Fund (IIF) for purchasing directly or through its subsidiary, 49% stake (i.e. 1,27,95,399 equity shares of Rs.10/- each) held by IIF in 'Ashoka Highways (Bhandara) Limited (AHBL)' along with Zero Interest Shareholders Loan for the consideration of INR 359.8 mn.
- Ashoka Concessions Limited, a subsidiary of the Company holds 51% stake (i.e. 1,33,17,653 equity shares of Rs.10/- each) and Ashoka Buildcon holds 9 shares in AHBL. Post completion of this transaction, the Company along with subsidiary would hold 100% stake in AHBL. The completion of the transaction is subject to receipt of the approvals from National Highways Authority of India (NHAI) and if required, from lenders.
- Toll Collection registered a growth of 18% y-o-y to INR.2620 mn in Q4 FY21 as against INR.2220 mn in Q4FY20. Toll Collection for FY21 stood at Rs.8800 mn as compared to 900 cr in FY20..
- Consolidated debt break up includes : Standalone debt INR 3623 mn project debt : INR 56446 Mn, NCD : 1500 mn Total : INR61569 mn Cash & Bank :INR 6207 mn .
- Total Revenue stood at 17356 mn in Q4FY21 with growth of 10.6% %. EBIDTA grew by by 5% Yoy to INR 5245 mn EBIDTA margin stood at 29.5% in Q4FY21. PAT grew by 4.6% YoY to 1534 mn. PAT margin stod at 8.6% in Q4FY21.
- Equity requirement for HAM project would be INR 2170 mn in FY22& FY23.
- The deal for closing BOT ,HAM and annuity project of ACL with aim to give exit to SBI-Macquarie is in process and expected to be completed in coming quarter.
- Total order inflow expected of INR 70000 mn where 70 PC will be road and 30 Pc will be others. Bids from NHAI will start from Q2.
- Company expects 20-25% revenue growth in FY22.

Rs in Mn	Q4FY21	Q3FY21	Q2FY21	Q1FY21	Q4FY20	Q3FY20	YoY	QoQ
ACL BOT Projects								
Belgum Dharwad	293	277	201	118	226	234	29.5%	5.8%
Dhankuni-Kharagpur	1043	1070	933	536	879	907	18.7%	2.6%
Bhandara	217	214	179	117	182	180	19.0%	1.5%
Durg	243	237	197	131	201	200	20.9%	2.6%
Jaora-Nayagaon	455	449	424	225	424	439	7.5%	1.4%
Sambalpur	205	191	170	107	173	164	18.5%	7.0%
Sub-total	2455	2438	2104	1234	2085	2123	17.8%	0.7%
ABL BOT Projects								
WaingangaBridge	96	93	79	49	75	74	28.1%	3.9%
KatniBypass	60	61	53	47	52	54	14.8%	2.1%
Others #	8	9	6	4	9	10	-11.3%	6.3%
Sub-total	165	163	138	100	136	138	20.3%	1.1%
Others (Fix Term Toll Collection Contract)						54		
Grand Total	2620	2601	2242	1334	2221	2315	18.0%	0.7%

HAM Project Portfolio –Status (INR in Mn)

Projects	% stake (ACL/ABL)	Status	TPC	Grant	Estimated Equity	Estimated Debt	Equity Invested	Total Debt Drawn
Kharar Ludhiyana	100%	COD(P)	14500	6400	2100	6000	2106	5218
Ranastalam-Anandpuram	100%	COD(P)	10399	4748	1554	4150	1521	3910
Vadodara Kim	100%	UC	14831	6748	2083	6000	1678	4270
Khairatunda-BarwaAdda	100%	UC	7117	3440	976	2700	779	2080
Belgaum-Khanapur	100%	UC	7457	3425	1082	2950	510	828
Tumkur-Shivamogga-II	100%	UC	10519	4874	1340	3850	675	690
Tumkur-Shivamogga-I	100%	UC	7406	3668	988	2750	446	900
Kandi-Ramsanpalle	100%	UC	7249	4000	899	2350	25	-
Tumkur-Shivamogga-IV	100%	UFC	11266	5528	1438	4300	2	-
Tumkur-Shivamogga-III	100%	UFC	7549	4142	908	2500	13	-
Total			98293	46973	13368	37550	7755	17896

Charts



Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880