

CMP: INR 103
Outlook : Positive

Stock Info

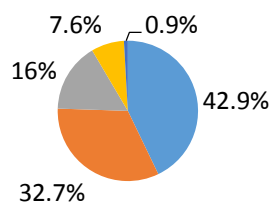
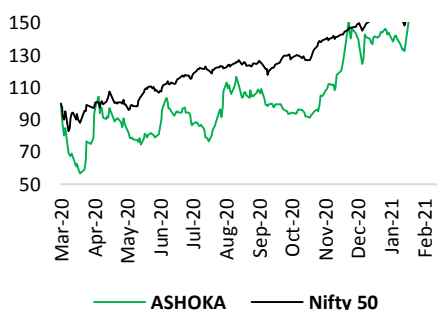
| | |
|-----------------------------|---------------|
| BSE | 533271 |
| NSE | ASHOKA |
| Bloomberg | ASBL:IN |
| Reuters | ABBL.BO |
| Sector | COUNSTRUCTION |
| Face Value (Rs) | 5 |
| Equity Capital (Rs mn) | 1404 |
| Mkt Cap (Rs mn) | 28943 |
| 52w H/L (INR) | 119 / 37 |
| Avg Yearly Volume (in 000') | 43.28 |

Shareholding Pattern %

(As on Decemner, 2020)

| | |
|-----------------|------|
| Promoters | 54.4 |
| Public & Others | 45.6 |

Ashoka Buildcon Vs Nifty



■ Road HAM ■ Road EPC ■ Power TD & others ■ Railways ■ CGD

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 March 2021 and receipts of fund by September 2021 (has received binding offer by potential investors; currently under evaluation stage). The deal has been delayed due to COVID 19. 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 91520 Mn as on Q3FY21. Order Book Mix stands at 43% Road HAM Project, 33% Road EPC 16% Power Projects 8% in Railways. Going forward, the management has guided for order inflow of INR 20,000-25,000 Mn in the rest of FY21, 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 60% orders in road segment and 40% in others segment.

Toll collections expected to be robust: Toll collection has witnessed revival and witnessed healthy growth in Q3 and grew by 12 pc to INR 260 crores. 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 103, ABL trades at EV/EBIDTA multiple of 4.4x to its FY23e EBIDTA of INR 18,781 mn (As per Bloomberg Estimates) which looks quite attractive. we have positive outlook on the stock. However, factors such as weak Q3FY21 performance, persistent delay in SBI Macquaire stake sale, fear of covid second wave and rising commodity prices remain a concern going ahead .

Financials (Bloomberg Estimates)

| in Mn | FY20 | FY21E | FY22E | FY23E |
|--------------|-------|-------|-------|-------|
| Revenue | 50705 | 44789 | 55161 | 60997 |
| EBITDA | 15752 | 13748 | 17341 | 18781 |
| EBITDAM (%) | 31.1 | 30.7 | 31.4 | 30.8 |
| PAT | 1653 | 54 | 797 | 1457 |
| PATM (%) | 3.2 | 0.1 | 1.4 | 2.3 |
| EPS | 5.9 | 0.9 | 3.1 | 5.7 |
| EV/EBIDTA(x) | 4.0 | 6.0 | 4.8 | 4.4 |
| PE(x) | 17 | 114 | 33 | 18 |

Source: Arihant Research, Company Filings

Sector update: The Relaxation of bidding criterion has increased the competition among various players but company has been maintaining its disciplined approach in bidding.

Land issues are now dealt in a better way, but lenders continue to be cautious, however larger players have an edge over smaller players on securing financial closures.

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

ValuationAt cmp of INR 103, ABL trades at EV/EBIDTA multiple of 4.4x to its FY23e EBIDTAof INR 18,781 mn, (As per Bloomberg Estimates) which looks quite attractive.

Management Meet Highlights:

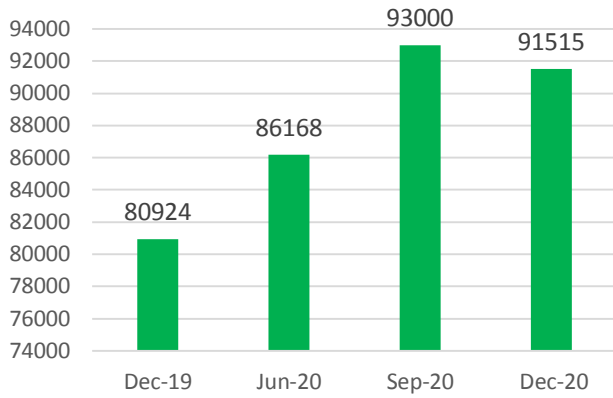
- Company is a EPC Company since last 40 years and it became a developer of road project in 1999-2000. Till 2008 company was into road projects (PPP & EPC) and then it started to diversify into other sectors like power, railway etc. Recently company got into solar power projects.
- Company generated a revenue of around INR 40820 mn in FY20 from EPC business and expects to close FY21 on similar lines on the BOT front. Company has a revenue of around INR 10000 mn of toll business. In The EPC business EBIDTA margin is in the range of 11-12%.
- On PPP front road projects are under Ashoka Concessions Limited where company has SBI Macquarie as JV partner.
- Total Debt of company is around INR 58000 mn. On standalone basis EPC debt is around INR 4000-5000 Mn out of which INR 1600- 1700 Mn is capex, rest is working capital loan.
- First few months company had impact on execution of projects during covid but now all projects are running as per time line.
- Asset monetization of few assets likely to be completed by June. Valuation will depend on mix of assets and deal finalized with Investors.
- Margin is expected to be lower as company has a practice not to realize any contingency in the project until it is fully complete. In FY21 first 2 quarters and in last 2 quarters of FY20 certain projects were coming to end due to which there was higher margin but generally margins are in the range of 11% in road project and in power project it is in the range of 9.5-10% company will maintain this margin going ahead.
- In solar project EPC company has got order from NTPC of INR 5000 mn which is yet to start. Company expects margin of around 10% after considering escalation in cost.
- In road business company already has order pipeline of around INR 700,000 mn. Company is more keen to Bid projects on EPC & HAM side despite stiff completion. Company is also looking for projects under railway solar and building project.
- Margins are likely to witness some decline but can be compensated by higher toll collection and operational efficiencies.
- Under Building projects company will bid for Commercial and factory building projects depending on developer.
- Total order book of INR 90,000 mn out of which INR 70,000 mn is for road projects comprising of EPC and PPP out of which near 60% are on EPC cash contract basis and 40% on HAM projects and remaining is split on Solar, Railway and power distribution projects etc In coming two years order book from EPC road project would be around 60% and remaining 40% will be from other sectors.
- NHAH has moderated target from 10,000 KM to 8000 KM which is feasible according to the company the bid order split will split will be 40% EPC and 60% HAM.
- For existing project in HAM, company needs to invest INR 3200 Mn for next projects in next 12-14 months Cost of debt in range of 7.8% to 10 % according to various projects .Avg cost of debt is 9%.
- Tax rate to be in range of 24-25% going ahead .
- In recent times for road projects, the Number of companies bidding in EPC segment have increased and are in range of 30-40 players. No of players in HAM projects have also increased from 4-5 to around 12 players currently. We believe this is initial rush for companies to get projects as fresh ordering has just started & expecting bidding is to be aggressive in initial period and this would cool down as ordering would pick up. A strong order book of INR 70,000 crore gives us confidence that company would not bid aggressively for new orders in initial period.
- Highest receivable from power majorly from UP & Bihar. 50% dues are above 6 months and 50% below 6 months' value of which is INR 3000 mn. The management don't see any risk of NPA in power segment.
- Revenue top line to grow by 25% next year and expected to grow by 20 pc CAGR for next 3 years .
- Rise in steel and diesel price can affect margin by 1 pc. The escalation clause is available for all of the projects but some impact would be seen on margins as delay impact of price hike on revenues.

| Rs in Mn | Q3FY21 | Q2FY21 | Q1FY21 | Q4FY20 | Q3FY20 | YoY | QoQ |
|--|--------|--------|--------|--------|--------|-------|--------|
| ACL BOT Projects | | | | | | | |
| Belgum Dharwad | 277 | 201 | 118 | 226 | 234 | 18.4% | 37.7% |
| Dhankuni-Kharagpur | 1070 | 933 | 536 | 879 | 907 | 18.1% | 14.75% |
| Bhandara | 214 | 179 | 117 | 182 | 180 | 19.1% | 19.5% |
| Durg | 237 | 197 | 131 | 201 | 200 | 18.5% | 20.2% |
| Jaora-Nayagaon | 449 | 424 | 225 | 424 | 439 | 2.3% | 5.8% |
| Sambalpur | 191 | 170 | 107 | 173 | 164 | 16.5% | 12.6% |
| Sub-total | 2438 | 2104 | 1234 | 2085 | 2123 | 14.9% | 15.8% |
| ABL BOT Projects | | | | | | | |
| WaingangaBridge | 93 | 79 | 49 | 75 | 74 | 25.6% | 17.2% |
| KatniBypass | 61 | 53 | 47 | 52 | 54 | 13.0% | 16% |
| Others # | 9 | 6 | 4 | 9 | 10 | -7.8% | 40.6% |
| Sub-total | 163 | 138 | 100 | 136 | 138 | 18.3% | 17.8% |
| Others (Fix Term Toll Collection Contract) | | | | | 54 | | |
| Grand Total | 2601 | 2242 | 1334 | 2221 | 2315 | 12.4% | 16.0% |

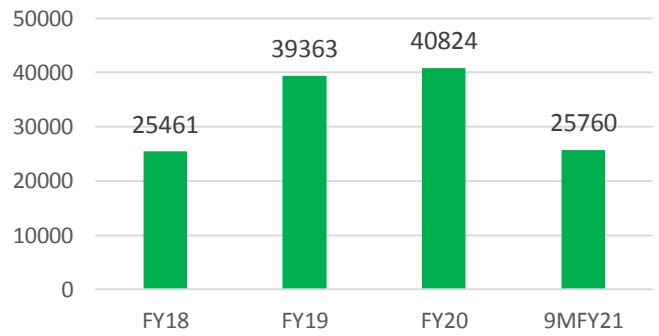
**HAM Project Portfolio –Status
(INR in Mn)**

| Projects | % stake | Status | TPC | Estimated Equity | Estimated Debt | Equity Invested | Total Debt Drawn |
|-----------------------|-----------|--------|-------|------------------|----------------|-----------------|------------------|
| | (ACL/ABL) | | | | | | |
| Kharar Ludhiyana | 100% | COD(P) | 14500 | 2100 | 6000 | 2113 | 5155 |
| Ranastalam-Anandpuram | 100% | COD(P) | 10399 | 1554 | 4150 | 1521 | 3670 |
| Vadodara Kim | 100% | UC | 14831 | 2083 | 6000 | 1670 | 3780 |
| Khairatunda-BarwaAdda | 100% | UC | 7117 | 976 | 2700 | 726 | 2380 |
| Belgaum-Khanapur | 100% | UC | 7457 | 1082 | 2950 | 505 | 402 |
| Tumkur-Shivamogga-II | 100% | UC | 10519 | 1340 | 3850 | 674 | - |
| Tumkur-Shivamogga-I | 100% | UC | 7406 | 988 | 2750 | 445 | 750 |
| Kandi-Ramsanpalle | 100% | UC | 7249 | 899 | 2350 | 25 | - |
| Tumkur-Shivamogga-IV | 100% | UFC | 11266 | 1438 | 4300 | | - |
| Tumkur-Shivamogga-III | 100% | UFC | 7549 | 908 | 2500 | | - |
| Total | | | 98293 | 13368 | 37550 | 7679 | 16137 |

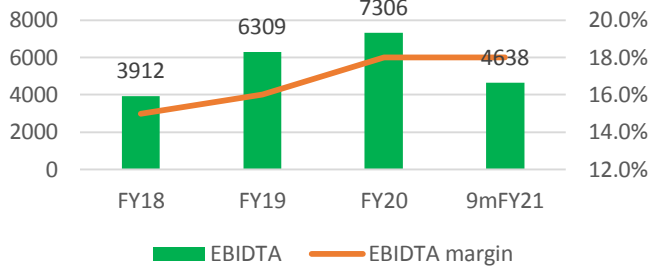
Order Book Rs in Mn



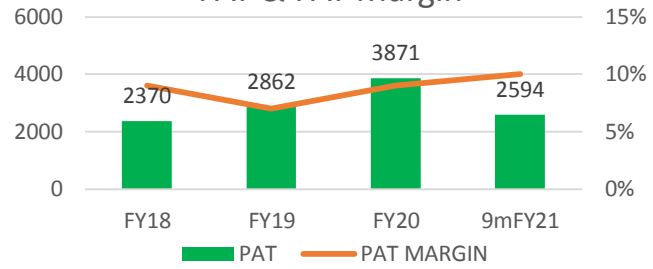
Revenue in Mn



EBIDTA in INR Mn



PAT & PAT Margin



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| 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% |

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