

May 29, 2019

| Company | Sector | CMP | Recommendation | Target | Potential Upside |
|----------------------|----------------|-----|----------------|--------|------------------|
| Ashoka Buildcon Ltd. | Infrastructure | 143 | BUY | 165 | 15% |

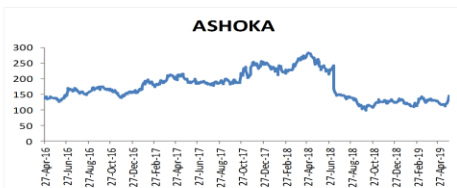
Key Stock Data

| | |
|-----------------|-----------|
| BSE Script Code | ASHOKA |
| NSE Script Code | ASHOKA |
| No. of shares | 28.07 |
| FV (Rs.) | 5 |
| MCAP (Rs.) | 4,039 Crs |
| MCAP (\$) | 58 Crs |
| 52 Week High | Rs.186 |
| 52 week Low | Rs. 93 |
| Time Frame | 6 months |

Shareholding Pattern

| | |
|-----------|--------|
| Promoters | 54.26% |
| DIIs | 31.59 |
| FIIIs | 4.03 |
| Others | 10.12 |

3 years Price Chart



Source: All above data from BSE Website and Capital Line

Ashoka Buildcon Ltd. (ASHOKA) is one of the leading highway developers in India. The company is an integrated Engineering Procurement and Construction (EPC) and Build-Operate- Transfer (BOT) player. It has a portfolio of 36 Public-Private Partnership (PPP) Projects, which is the largest in number by any private player in India. Besides construction of highways and bridges the company is also engaged in Power Transmission and Distribution on EPC basis.

Investments Rationale**1. Stupendous 4QFY19 numbers due to strong execution.**

ASHOKA reported stupendous set of 4QFY19 numbers whereby revenue grew by 86% Y-o-Y to Rs. 1307 Crs as against Rs. 702 Crs in 4QFY18 and EBITDA grew by 123% Y-o-Y to Rs. 181 Crs as against Rs. 81 Crs in 4QFY18. PAT was flat on a yearly basis on account of higher finance cost and taxes.

2. Strong guidance for FY20.

The management guided for strong guidance for FY20 where they quoted Rs.6,500–7,000 Crs across segments and Rs.40,00 Crs expected from the roads, Rs.1,500 – 2,000 Crs expected from the railways and about INR1,000 Crs from power T&D segment. Management has stated that debt had increased due to equity infusion in HAM projects and has guided that debt would be hovering at the same level going forward.

Outlook & Valuations

ASHOKA has constantly grown its order-book even in challenging times. ASHOKA has a track record of maintaining healthy profitability and sound returns ratio. We believe the company will be able to grow at a CAGR of 20% on the bottom-line over a period of next 2 years, therefore would like to recommend a BUY on the stock. The stock is trading at mere 7x on FY21E PE chiefly due to healthy growth and on account of the sustainable growth rate, we would like to allot a PE multiple of 9x on FY21E to arrive at a target price of 165.

Key Financial

| Particulars | FY17 A | FY18 A | FY19 A | Amt in Crs | |
|-------------|--------|--------|--------|------------|--------|
| | | | | FY20 E | FY21 E |
| Revenue | 2013 | 2448 | 3828 | 4785 | 5742 |
| EBITDA | 242 | 293 | 525 | 670 | 861 |
| PAT | 176 | 237 | 266 | 383 | 517 |
| EPS | 9.41 | 8.44 | 10.19 | 13.64 | 18.41 |
| PE | 15.30 | 17.06 | 14.13 | 10.56 | 7.82 |

Source : BSE Website and company research

| Analyst Stock Rating | |
|----------------------|--|
| Ratings | Expected absolute returns over 6 months |
| BUY | >10% |
| HOLD | 5-10% |
| SELL | <5% |

Note: Our target price is within 6 months perspective. Returns stated in the rating scale are our internal benchmark.

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