

## Ashoka Buildcon

BUY

Catalyst exist for stock performance

## Summary

Ashoka Buildcon Q3FY24 PAT beat consensus estimates by 9% and is driven by execution (revenue). Q3 revenue increased by 37% YoY versus our estimate of 20% and is better than its peers like PNCL, KNRC. ASBL is seeing stability in the EBITDA margin and is expected to improve to double digit in FY25E. Post the result a) we have increased our revenue estimate by 5%/3% for FY24E/25E, b) roll forward TP to FY26E and revised it to Rs217 (earlier Rs191) and retain BUY Rating. We value ASBL standalone business at 8x PER FY26E and value its investment at 50% discount to book value (refer exh. 8). There is upside risk to our TP a) On asset monetization, more than BV b) order inflow uptick, resulting in revenue increase more than our estimate of 12%/16% YoY for FY25E/26E.

## Key Highlights and Investment Rationale

- Q3FY24 Snapshot:** ASBL revenue increased by 37% YoY, EBITDA margins maintained at 8.3% which is +77 bps YoY. PAT at Rs867mn +30% YoY/+22% QoQ. PAT growth was lower due to higher interest cost and depreciation. Standalone debt stood at Rs11bn v/s Rs8.4bn in Q3FY23.
- Status on asset monetization:** 11 HAM and 5 BOT is on the block and currently it's in due diligence stage with SPA to conclude by FY24 for HAM and post that BOT, b) Nayagaon project is pending regulatory approval c) Chennai ORR is in process to acquire pending equity stake d) CGD business is already monetize and Rs2.8bn is received.
- Utilization of asset monetization proceed:** Money from monetization is expected to a) utilize to retire SBI-Mac. liability (peak amount Rs15bn), b) retire debt (standalone debt of Rs10bn) and c) remaining will be for growth. Once ASBL has monetized all the asset, it can bid for project of Rs100bn in BOT road.

TP	Rs217
<b>CMP</b>	<b>Rs181</b>
Potential upside/downside	20%
Previous Rating	BUY

Price Performance (%)			
	-1m	-3m	-12m
Absolute	25.3	32.3	132.6
Rel to Sensex	26.2	22.3	114.1

V/s Consensus			
EPS (Rs)	FY24E	FY25E	FY26E
IDBI Capital	10	19	24
Consensus	10	16	21
% difference	(3.1)	20.4	14.8

Key Stock Data	
Bloomberg/Reuters	ASBL IN / ABDL.BO
Sector	Construction
Shares o/s (mn)	281
Market cap. (Rs mn)	50,839
3-m daily avg Trd value (Rs mn)	44.1
52-week high / low	Rs196 / 71
Sensex / Nifty	71,428 / 21,718

Shareholding Pattern (%)	
Promoters	54.5
FII	4.5
DII	18.6
Public	22.4

## Financial snapshot

Year	FY22	FY23	FY24E	FY25E	FY26E
Revenue	45,915	63,723	76,378	85,381	99,279
Change (yoy, %)	20	39	20	12	16
EBITDA	5,025	5,337	6,110	8,709	10,424
Change (yoy, %)	(3)	6	14	43	20
EBITDA Margin(%)	10.9	8.4	8.0	10.2	10.5
Adj.PAT	4,610	3,221	2,942	5,399	6,701
EPS (Rs)	16	11	10	19	24
Change (yoy, %)	12.9	(30.1)	(9)	83	24
PE(x)	11.0	15.8	17	9	8
Dividend Yield (%)	-	-	-	-	-
EV/EBITDA (x)	10.9	10.9	9.5	6.4	4.9
RoE (%)	16	11	8	14	15
RoCE (%)	11	11	10	14	16

Source: IDBI Capital Research

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### Conference call takeaways

- Dec-23 order book is Rs131bn with road contribution in the book at 52% (HAM and EPC), Power T&D at 42% and remaining is railway and building. Company has further received order in Jan-24 and thus current order book is Rs141bn.
- ASBL expects Revenue to increase by 15-20% YoY in FY24E (earlier it was 15%), & EBITDA margins maintained at 8-9% and from Q1FY25 when substantial portion of lower margin projects will get over, the margins will improve to 10-11%.
- Revenue growth is expected to be flattish YoY in FY25E based on the current order book and could see revenue growth (of 15-20% YoY) if inflow picks up in 2HFY25E.
- Order inflow guidance for FY25 is Rs60-80bn and Q4FY24 order inflow is expected to be muted.
- ASBL has submitted bid for Rs130bn from road sector and Rs950bn is pipeline of the bid and is from the road sector.
- Interest cost is higher due to one offs and rate of interest has increased to 9.1%-9.4% and increased by 75bps – 100 bps
- Consolidated debt was lower QoQ basis by Rs3bn to Rs62bn with standalone debt of Rs10bn and project debt Rs58bn. QoQ reduction is seen in project debt.
- Monetization status : 11 HAM and 5 BOT is on the block and currently it's in due diligence stage with SPA to conclude by FY24 for HAM and post that BOT, b) Nayagaon project is pending regulatory approval c) Chennai ORR is in process to acquire pending equity stake d) CGD business is already monetize and Rs2.8bn is received
- Money to receive from monetization is expected to a) utilize to retire ACL outstanding, b) retire debt and c) remaining will be for growth. Once monetize all the asset, can bid for project of Rs100bn in BOT asset.
- Pending amount due to SBI Macquire is Rs13.7bn and there is cap on this amount at Rs15.3bn.
- In HAM asset, pending equity requirement is Rs1.9bn is primarily for two road assets

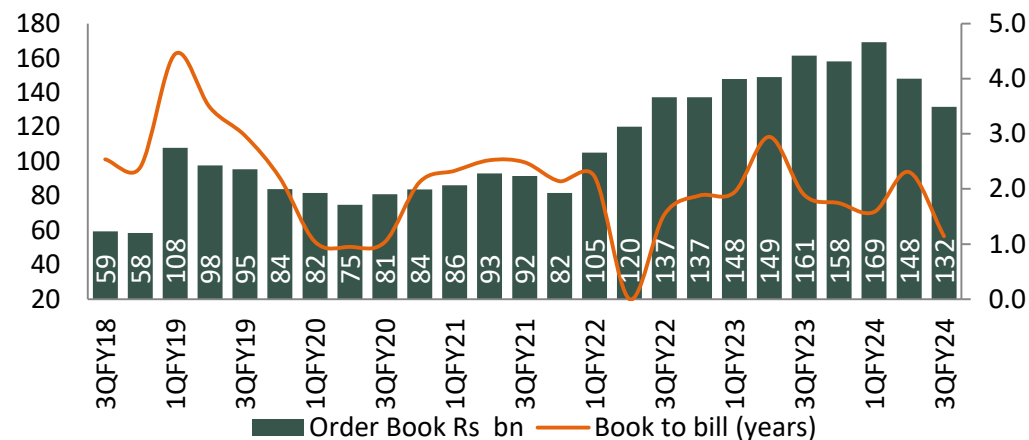
## Exhibit 1: Financial snapshot: Quarterly

(Rs mn)

Particulars	Q3FY24	Q3FY23	YoY Chg (%)	Q2FY24	QoQ Chg (%)
<b>Net Sales</b>	<b>21,335</b>	<b>15,595</b>	<b>37</b>	<b>15,613</b>	<b>37</b>
Cost of sales ex Depri	19,570	14,425	36	14,174	38
<b>EBITDA</b>	<b>1,765</b>	<b>1,170</b>	<b>51</b>	<b>1,439</b>	<b>23</b>
<i>EBITDA margin (%)</i>	8.3	7.5	77bps	9.2	-94bps
Other income	285	304	-6	284	0
<b>PBIDT</b>	<b>2,050</b>	<b>1,475</b>	<b>39</b>	<b>1,723</b>	<b>19</b>
Depreciation	276	199	39	247	12
Interest	620	387	60	527	18
Exceptional items	-	-	NA	-	NA
<b>Pre-tax profit</b>	<b>1,154</b>	<b>889</b>	<b>30</b>	<b>949</b>	<b>22</b>
Tax (current+deferred)	287	222	30	237	21
<b>Profit after tax</b>	<b>867</b>	<b>667</b>	<b>30</b>	<b>712</b>	<b>22</b>
<b>Adj. profit after tax</b>	<b>867</b>	<b>667</b>	<b>30</b>	<b>712</b>	<b>22</b>

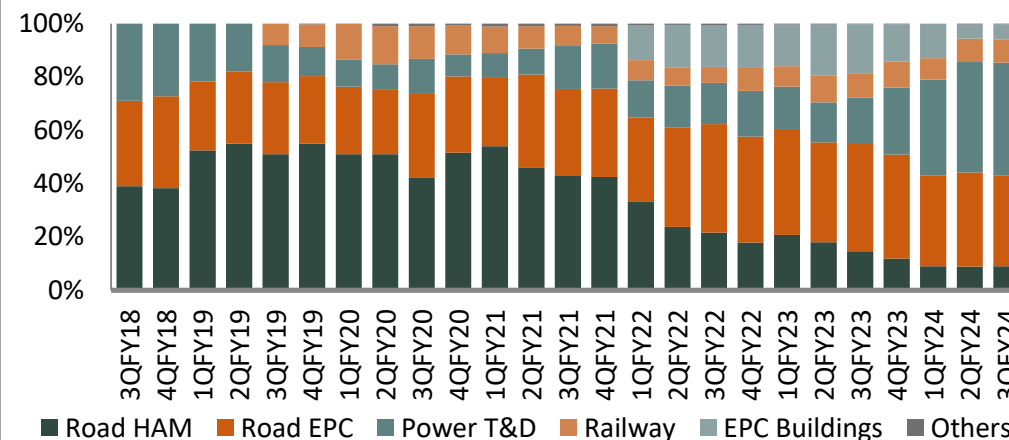
Source: Company; IDBI Capital Research

**Exhibit 2: Order-book provides revenue visibility of ~1 year**



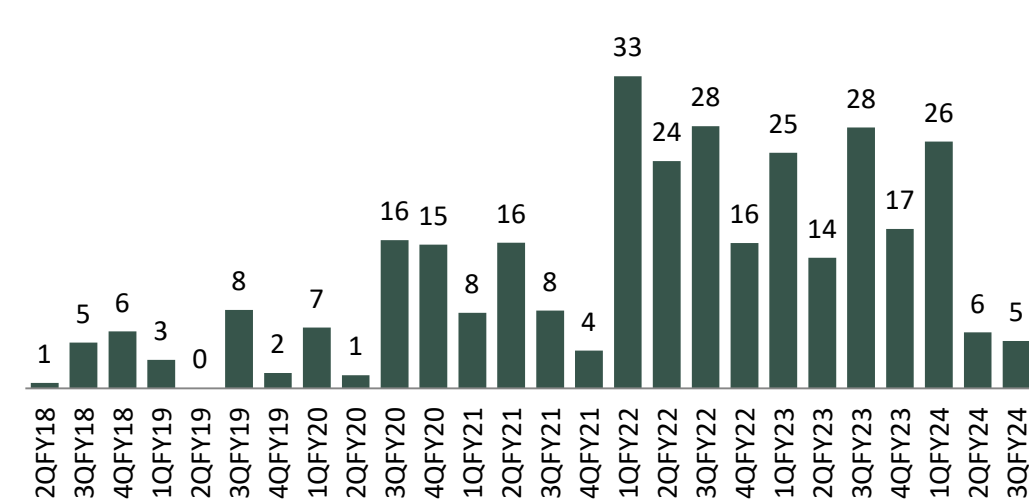
Source : Company

**Exhibit 3: Order book composition : Road sector at 43%**



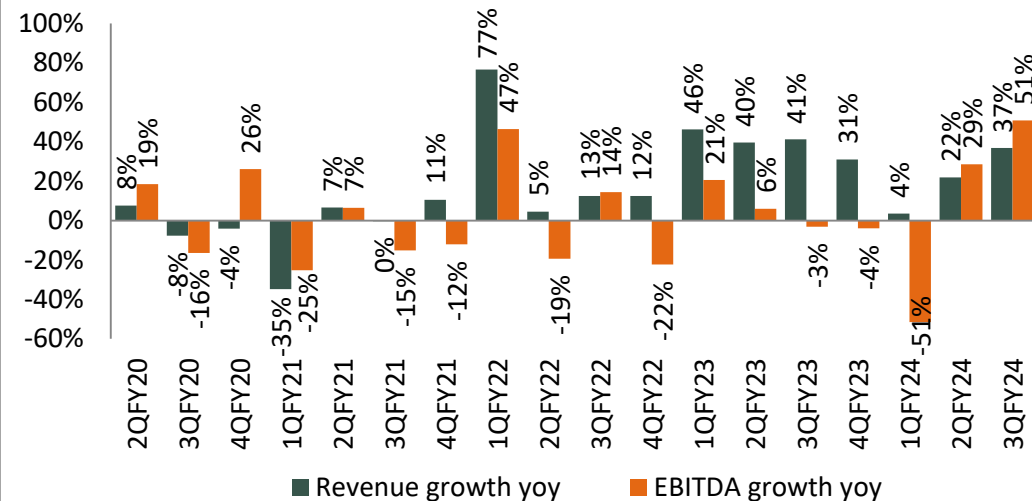
Source : Company

**Exhibit 4: Order Inflow/escalation in orders at Rs5bn in Q3FY24**

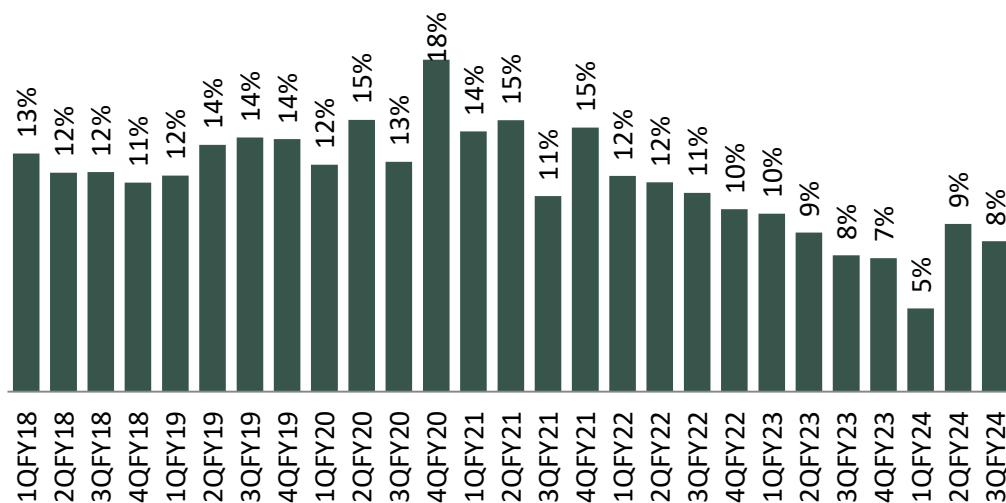


Source : Company

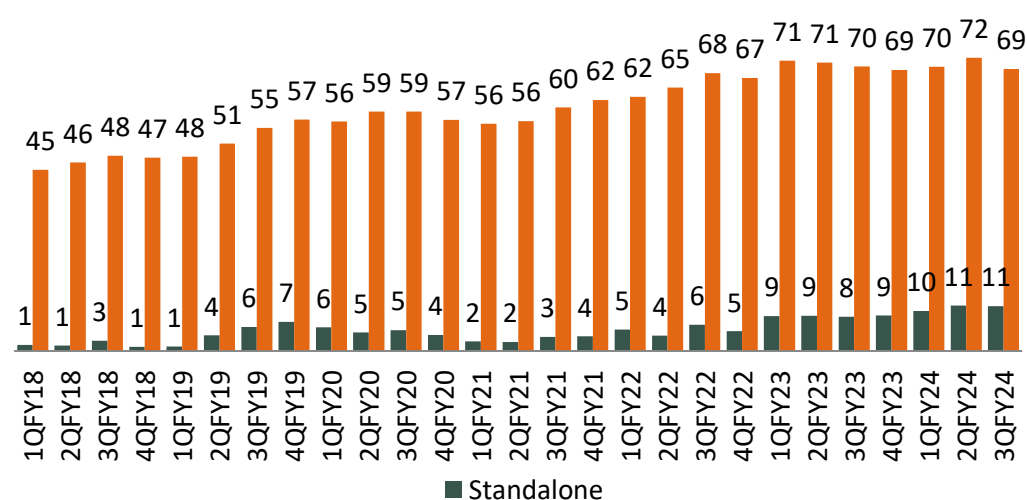
**Exhibit 5: Q3 Revenue +37% YoY, EBITDA +29% YoY**



Source : Company

**Exhibit 6: EBITDA margin stable at 8% in Q3FY24**

Source : Company

**Exhibit 7: Consol Debt in the books (Rs69bn)**

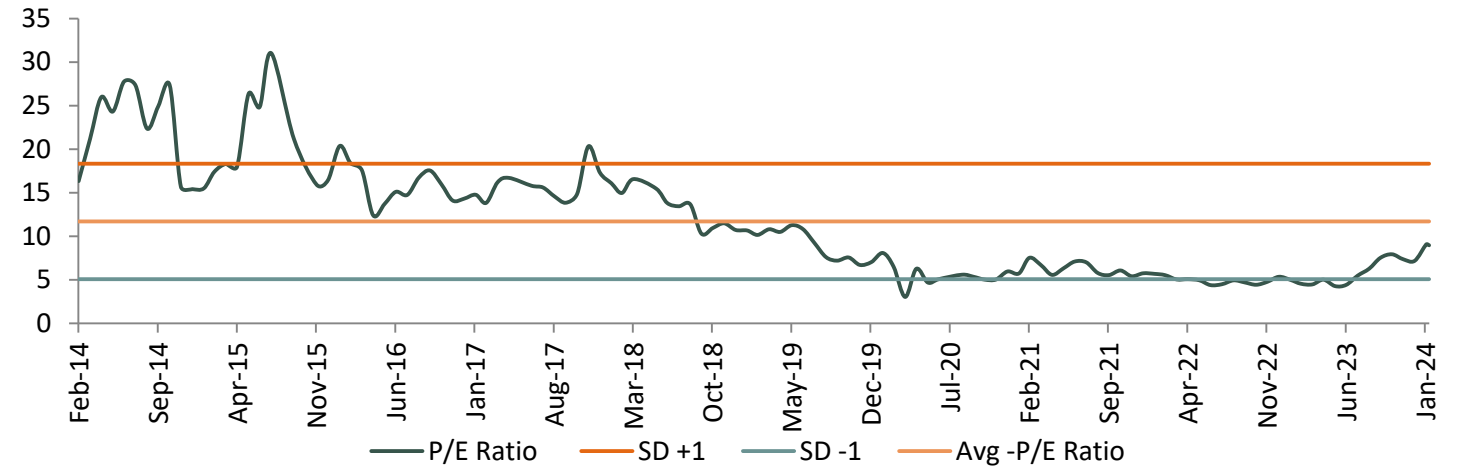
Source : Company

**Exhibit 8: SOTP-based valuation methodology**

Particulars	
FY26E PAT (Rs m)	6,701
Multiple (x)	8.0
Equity value (Rs m)	53,612
No. of shares (m)	281
Equity value (Rs/sh)	191
Investments in Subs FY24	52
Assigned Value for investments at 50%	26
<b>Target price (Rs)</b>	<b>217</b>

Source: IDBI Capital Research

**Exhibit 9: 2 year forward PE Band : Below averages**



Source: IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Net sales</b>	<b>38,175</b>	<b>45,915</b>	<b>63,723</b>	<b>76,378</b>	<b>85,381</b>	<b>99,279</b>
<i>Change (yoy, %)</i>	<i>(3)</i>	<i>20</i>	<i>39</i>	<i>20</i>	<i>12</i>	<i>16</i>
Operating expenses	(32,980)	(40,890)	(58,387)	(70,267)	(76,672)	(88,855)
<b>EBITDA</b>	<b>5,195</b>	<b>5,025</b>	<b>5,337</b>	<b>6,110</b>	<b>8,709</b>	<b>10,424</b>
<i>Change (yoy, %)</i>	<i>(11)</i>	<i>(3)</i>	<i>6</i>	<i>14</i>	<i>43</i>	<i>20</i>
<i>Margin (%)</i>	<i>13.6</i>	<i>10.9</i>	<i>8.4</i>	<i>8.0</i>	<i>10.2</i>	<i>10.5</i>
Depreciation	(872)	(856)	(742)	(976)	(1,072)	(1,167)
<b>EBIT</b>	<b>4,323</b>	<b>4,169</b>	<b>4,594</b>	<b>5,134</b>	<b>7,637</b>	<b>9,257</b>
Interest paid	(772)	(697)	(1,410)	(2,207)	(1,447)	(1,347)
Other income	1,921	1,988	1,057	1,004	1,024	1,045
<b>Pre-tax profit</b>	<b>5,472</b>	<b>13,156</b>	<b>750</b>	<b>3,931</b>	<b>7,213</b>	<b>8,954</b>
Tax	(1,391)	(851)	(1,020)	(989)	(1,815)	(2,253)
<i>Effective tax rate (%)</i>	<i>25.4</i>	<i>6.5</i>	<i>136.0</i>	<i>25.2</i>	<i>25.2</i>	<i>25.2</i>
Minority Interest	-	-	-	-	-	-
<b>Net profit</b>	<b>4,081</b>	<b>12,306</b>	<b>(270)</b>	<b>2,942</b>	<b>5,399</b>	<b>6,701</b>
Exceptional items	-	7,696	(3,492)	-	-	-
<b>Adjusted net profit</b>	<b>4,081</b>	<b>4,610</b>	<b>3,221</b>	<b>2,942</b>	<b>5,399</b>	<b>6,701</b>
<i>Change (yoy, %)</i>	<i>5</i>	<i>13</i>	<i>(30)</i>	<i>(9)</i>	<i>83</i>	<i>24</i>
EPS	14.5	16.4	11.5	10.5	19.2	23.9
Dividend per sh	-	-	-	-	-	-
<i>Dividend Payout %</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

**Balance Sheet**

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Shareholders' funds</b>	<b>30,067</b>	<b>26,987</b>	<b>33,697</b>	<b>36,640</b>	<b>42,038</b>	<b>48,739</b>
Share capital	1,404	1,404	1,404	1,404	1,404	1,404
Reserves & surplus	28,664	25,584	32,294	35,236	40,634	47,336
<b>Total Debt</b>	<b>4,387</b>	<b>5,593</b>	<b>9,973</b>	<b>10,873</b>	<b>8,850</b>	<b>6,421</b>
Other liabilities	3,470	4,028	5,510	5,554	5,603	5,657
<b>Curr Liab &amp; prov</b>	<b>17,090</b>	<b>17,052</b>	<b>22,820</b>	<b>24,419</b>	<b>25,629</b>	<b>27,564</b>
Current liabilities	16,701	16,832	22,605	24,088	25,222	27,063
Provisions	389	220	215	331	407	501
<b>Total liabilities</b>	<b>24,947</b>	<b>26,673</b>	<b>38,303</b>	<b>40,846</b>	<b>40,082</b>	<b>39,642</b>
<b>Total equity &amp; liabilities</b>	<b>55,014</b>	<b>53,661</b>	<b>72,000</b>	<b>77,486</b>	<b>82,120</b>	<b>88,382</b>
Net fixed assets	2,871	2,806	3,107	3,155	3,083	2,916
Investments	14,585	10,628	13,537	14,607	15,227	15,847
Other non-curr assets	12,559	1,909	2,264	2,264	2,264	2,264
<b>Current assets</b>	<b>24,999</b>	<b>38,318</b>	<b>53,093</b>	<b>57,460</b>	<b>61,546</b>	<b>67,355</b>
Inventories	1,717	1,877	2,984	3,591	3,919	4,541
Sundry Debtors	14,200	11,129	11,490	13,434	15,289	17,707
Cash and Bank	1,940	1,669	2,720	3,459	4,253	5,879
Loans and advances	7,141	23,643	35,899	36,976	38,085	39,227
<b>Total assets</b>	<b>55,014</b>	<b>53,661</b>	<b>72,000</b>	<b>77,486</b>	<b>82,120</b>	<b>88,382</b>



**Cash Flow Statement**

(Rs mn)

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	5,472	(2,236)	7,733	3,931	7,213	8,954
Depreciation	872	697	742	976	1,072	1,167
Tax paid	(1,227)	(1,515)	(1,390)	(989)	(1,815)	(2,253)
Chg in working capital	(1,943)	2,356	3,788	(909)	(923)	(1,051)
Other operating activities	(1,863)	2,308	(10,146)	1,130	338	205
<b>Cash flow from operations (a)</b>	<b>1,310</b>	<b>1,611</b>	<b>728</b>	<b>4,139</b>	<b>5,886</b>	<b>7,022</b>
Capital expenditure	(186)	(609)	(1,096)	(1,024)	(1,000)	(1,000)
Chg in investments	(509)	(553)	(891)	-	-	-
Other investing activities	(1,370)	(1,355)	(1,922)	(1,070)	(620)	(620)
<b>Cash flow from investing (b)</b>	<b>(2,064)</b>	<b>(2,517)</b>	<b>(3,909)</b>	<b>(2,094)</b>	<b>(1,620)</b>	<b>(1,620)</b>
Equity raised/(repaid)	-	-	-	-	-	-
Debt raised/(repaid)	83	1,108	4,776	900	(2,024)	(2,428)
Dividend (incl. tax)	-	-	-	-	-	-
Chg in minorities	-	-	-	-	-	-
Other financing activities	(819)	(853)	(1,417)	(2,207)	(1,447)	(1,347)
<b>Cash flow from financing (c)</b>	<b>(736)</b>	<b>255</b>	<b>3,359</b>	<b>(1,307)</b>	<b>(3,471)</b>	<b>(3,776)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(1,490)</b>	<b>(652)</b>	<b>178</b>	<b>738</b>	<b>795</b>	<b>1,626</b>

### Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
Book Value (Rs)	107	96	120	131	150	174
Adj EPS (Rs)	14.5	16.4	11.5	10.5	19.2	23.9
Adj EPS growth (%)	5	13	-30	-9	83	24
EBITDA margin (%)	13.6	10.9	8.4	8.0	10.2	10.5
Pre-tax margin (%)	14.3	28.7	1.2	5.1	8.4	9.0
Net Debt/Equity (x)	0.1	0.1	0.2	0.2	0.1	0.0
ROCE (%)	12	11	11	10	14	16
ROE (%)	15	16	11	8	14	15

### DuPont Analysis

Asset turnover (x)	0.7	0.8	1.0	1.0	1.1	1.2
Leverage factor (x)	1.9	1.9	2.1	2.1	2.0	1.9
Net margin (%)	10.7	10.0	5.1	3.9	6.3	6.8

### Working Capital & Liquidity ratio

Inventory days	16	15	17	17	17	17
Receivable days	136	88	66	64	65	65
Payable days	78	72	64	62	62	60

### Valuations

Year-end: March	FY21	FY22	FY23	FY24E	FY25E	FY26E
PER (x)	10.2	9.6	8.5	12.2	13.1	6.7
Price/Book value (x)	1.5	1.3	1.5	1.2	1.1	0.9
SEV/Net sales (x)	1.0	1.1	0.9	0.7	0.6	0.5
EV/EBITDA (x)	6.6	8.0	8.6	8.7	8.1	4.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company; IDBI Capital Research



# Notes

Dealing

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**Key to Ratings Stocks:****BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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