

# Ashoka Buildcon

**BUY**
**Execution uptick in Q4FY21**

## Summary

Ashoka Buildcon (ASBL) Q3FY21 (standalone) PAT is lower than our estimate. This is led by lower execution and margin. But management guides to make for revenue shortfall in Q4FY21. This will be driven by 3 projects i.e. Kandi and 2 projects in Bihar. ASBL expects revenue of Rs39-40bn in FY21, YTD FY21 revenue is at -9% YoY and which implies Q4FY21 revenue to increase by 20%. Order book as of 9MFY21 at Rs92bn equals to 4x TTM revenue. We have increased the execution run rate and lowered margin expectations. This has resulted in marginally increase in EPS by 1-4% for FY21E to FY23E. On expectation of pick in capex cycle, driven by allocation to road sector in the budget. We have increased PER valuation for EPC to 5x vs 4x earlier. Our revised TP is Rs128 (earlier 112). On revised TP, implied valuation is at 7x FY23E EPS (last 5 years avg at 13x). Maintain BUY.

## Key Highlights and Investment Rationale

- Q3FY21 snapshot:** ASBL reported revenue of Rs9.8bn (flat YoY) and EBITDA margin of 11%, lower by 180bps YoY. EBITDA decline by 15% YoY to Rs1bn. But PAT came in flat YoY and was led by higher other income and lower depreciation charge. Labour availability has now completely normalised.
- Order book and liquidity remains healthy:** Q3FY21 Order book is at Rs92bn with Roads / Power T&D and Railways / CGD at 76%, 18% and 8% respectively. Order Inflow guidance is Rs20-30bn in Q4FY21 and Rs50-60bn in FY22E. Net debt has increased QoQ by Rs1.3bn, is led by working cap debt at Rs1.7bn. But Net DER is comfortable below 0.1x.
- Status on ACL monetization:** Covid has delayed stake sale in ACL portfolio. But uptick in toll provides vigor in finding new investor. ASBL guides entering into binding agreement with investor in next 2-3 months. Conclusion of this will remove overhang on payout to SBI Macq. fund. ASBL has committed for 12% return on investment with payout of Rs15bn to SBI Macq. fund.

<b>TP</b>	<b>Rs128</b>
<b>CMP</b>	<b>Rs111</b>
Potential upside / downside	+16%
Previous Rating	BUY

### V/s Consensus

EPS (Rs)	FY21E	FY22E	FY23E
IDBI Capital	12.0	14.8	18.1
Consensus	NA	NA	NA
% difference	NA	NA	NA

### Shareholding Pattern (%)

Promoters	54.5
FII	3.2
DII	27.6
Public	14.7

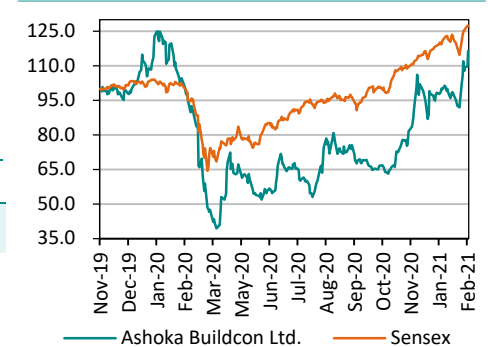
### Price Performance (%)

	-1m	-3m	-12m
Absolute	16.5	73.9	(2.8)
Rel to Sensex	11.3	53.4	(27.6)

### Key Stock Data

Bloomberg/Reuters	ASBL IN / ABDL.BO
Sector	Construction
Shares o/s (mn)	281
Market cap. (Rs mn)	31,048
Market cap. (US\$ mn)	426
3-m daily avg Trd value (Rs mn)	200.4
52-week high / low	Rs117 / 37
Sensex / Nifty	43,357 / 12,691

### Relative to Sensex (%)



### Financial snapshot

(Rs mn)

Year	FY2019	FY2020	FY2021E	FY2022E	FY2023E
Revenue	38,206	39,374	39,374	47,249	56,699
EBITDA	5,152	5,856	4,626	5,434	6,520
EBITDA (%)	13.5	14.9	11.8	11.5	11.5
Adj. PAT	2,862	3,871	3,374	4,149	5,088
EPS (Rs)	10.2	13.8	12.0	14.8	18.1
Adj. EPS Growth (%)	(20.2)	35.3	(12.9)	23.0	22.6
PE (x)	10.8	8.0	9.2	7.4	6.1
Adj. Dividend Yield (%)	0.5	-	-	-	-
EV/EBITDA (x)	7.4	5.4	8.2	6.6	5.1
RoE (%)	13.8	16.1	12.2	13.2	14.1
RoCE (%)	15.6	14.5	10.1	11.1	12.7

Source: Company; IDBI Capital Research

### Conference call takeaways

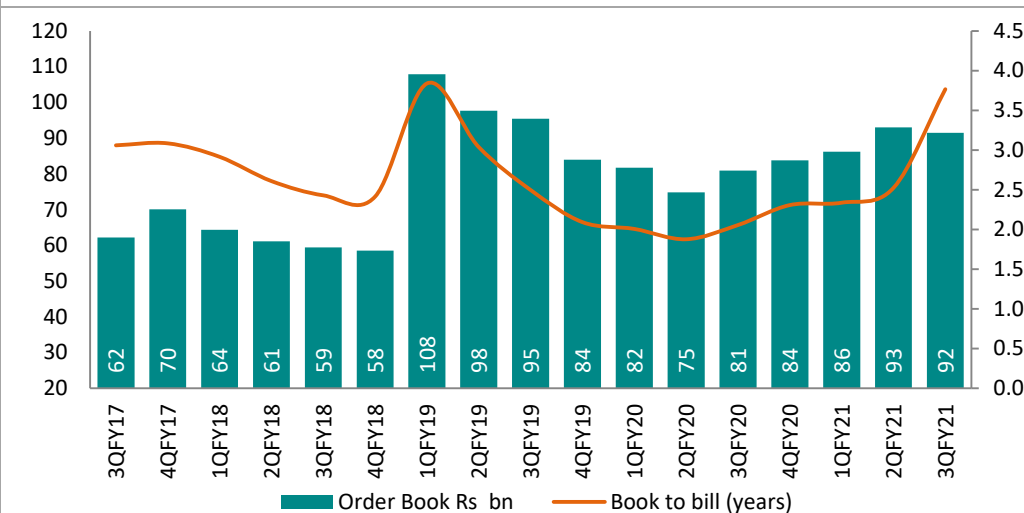
- Asset monetization of ACL is in process of due diligence, as few investors has given Binding offer. Binding offer is at non exclusivity stage. Once enter in binding offer, ASBL guides its conclusion by March 21.
- FY21 revenue guidance is to match with FY20 revenue. Kandi and 2 Bihar project will drive the revenue growth in Q4FY21.
- Labour availability has now fully normalized and toll collection has surpassed pre-COVID levels.
- Solar EPC contract, margin guidance is at 10-11% EBITDA margin. Commodity prices have increased and there is increase in the revenue contribution from low margin solar EPC project. And thus target to do 11-11.5% EBITDA margin.
- Funding requirement for HAM: Rs1.64bn in FY21, Rs1.60bn in FY22.
- Shortfall in ACL's Sambalpur project is Rs450-400mn, other assets shortfall is at Rs450-400mn.
- Company is Looking at various segment in EPC like Solar, Building. But focus is on highway for ASBL
- Order Inflow guidance is Rs20-30bn in Q4FY21 and Rs50-60bn in FY22E.
- Roads segment dominate the order book at 76%, other segment includes Power T&D at 16% and Railways at 8%
- 9MFY21 Capex done Rs140-150mn, Rs800-850mn capex target in FY22 receivables.
- Tax rate guidance at 25%, opted for revised tax regime.
- Net debt has increased QoQ by Rs1.3bn , is led by higher execution. Working cap debt is at Rs1.7bn
- Equity invested in completed HAM is Rs7bn incl. Rs1.5bn in ACL. Asset in construction stage, investment is Rs18bn.
- Non fund limit is at Rs38bn and utilization is at 55-60%. Consolidated net debt stood at Rs55bn, while standalone net debt stood at Rs2.8bn (0.1x net DER).

**Exhibit 1: Financial snapshot: Quarterly**

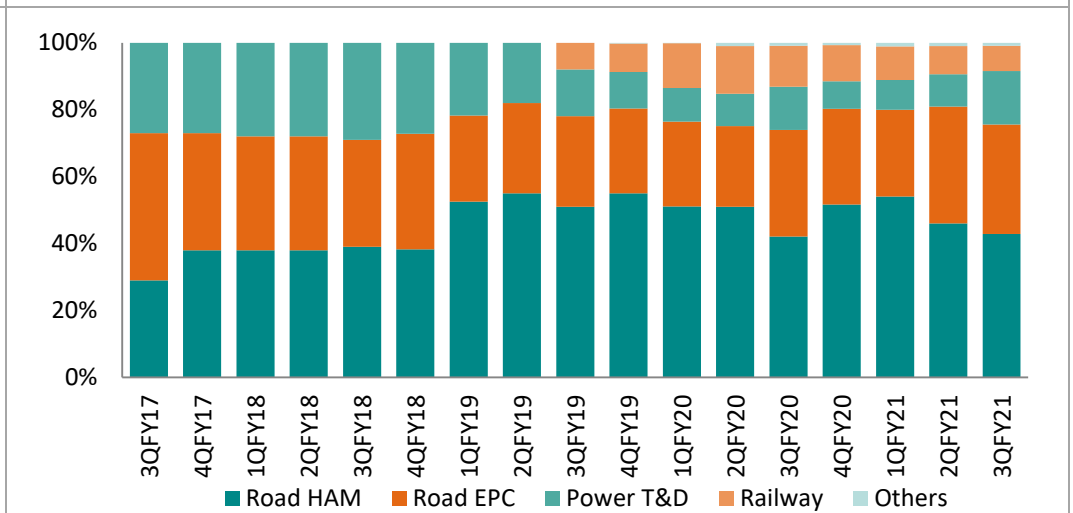
(Rs mn)

Particulars	3QFY21	3QFY20	YoY Chg (%)	2QFY21	QoQ Chg (%)
<b>Net Sales</b>	<b>9,807</b>	<b>9,836</b>	<b>-0.3</b>	<b>8,775</b>	<b>11.8</b>
<b>EBIDTA</b>	<b>1,055</b>	<b>1,243</b>	<b>-15.1</b>	<b>1,309</b>	<b>-19.4</b>
<i>EBITDA margin (%)</i>	10.8	12.6		14.9	
Other income	473	369	28.0	498	-5.2
<b>PBIDT</b>	<b>1,528</b>	<b>1,613</b>	<b>-5.3</b>	<b>1,808</b>	<b>-15.5</b>
Depreciation	216	283	-23.9	218	-0.9
Interest	183	200	-8.3	197	-6.8
<b>Pre-tax profit</b>	<b>1,129</b>	<b>1,129</b>	<b>0.0</b>	<b>1,393</b>	<b>-19.0</b>
Tax (current+deferred)	272	274	-0.5	346	-21.4
<b>Profit after tax</b>	<b>856</b>	<b>855</b>	<b>0.1</b>	<b>1,047</b>	<b>-18.2</b>
<b>Adj. EPS (Rs.)</b>	<b>3.05</b>	<b>3.05</b>	<b>0.1</b>	<b>3.73</b>	<b>-18.2</b>

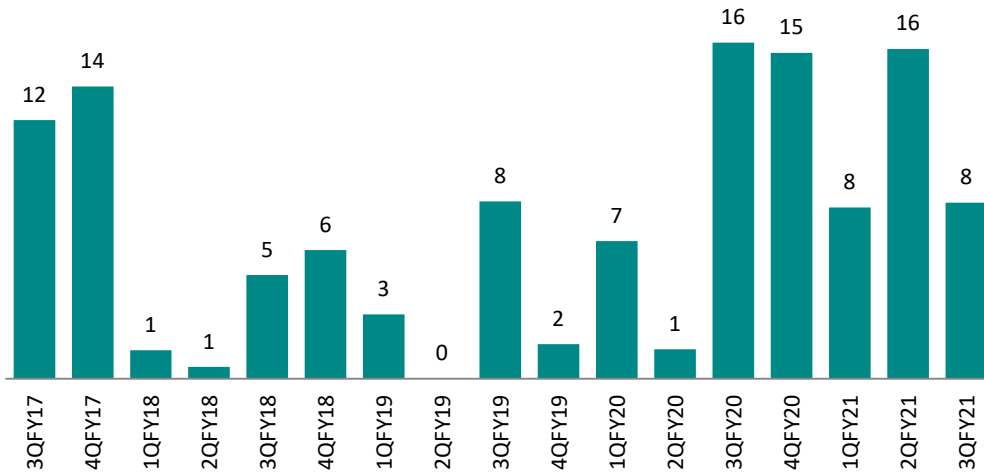
Source: Company; IDBI Capital Research

**Exhibit 2: Order-book provides revenue visibility of ~4 years**


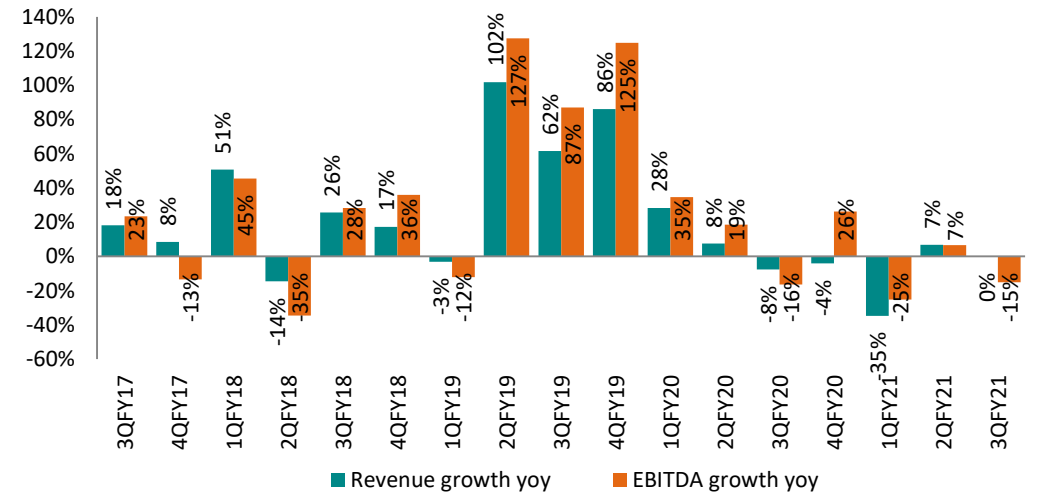
Source: Company

**Exhibit 3: Order book composition : Road sector at 76%**


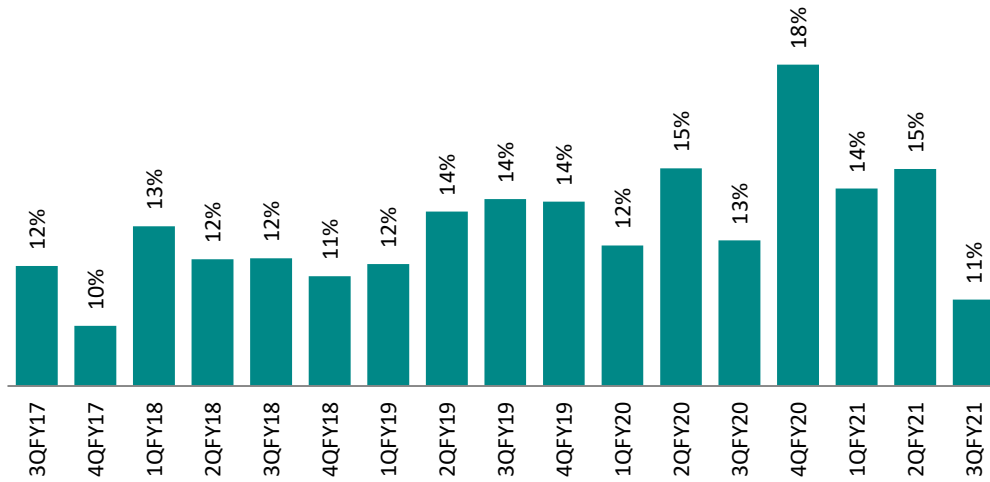
Source: Company

**Exhibit 4: Order inflow trajectory: Consistently winning Rs bn**


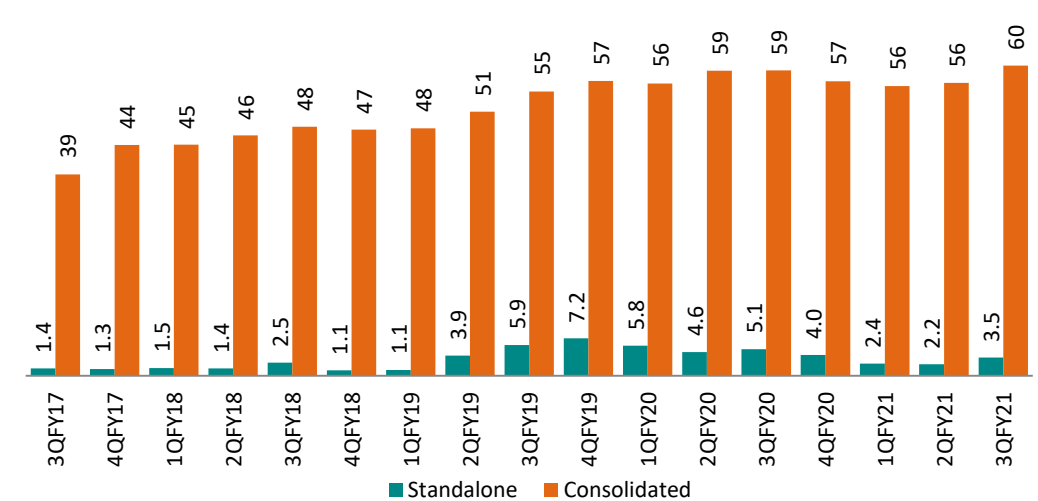
Source : Company

**Exhibit 5: Execution over the years, lumpy in nature**


Source : Company

**Exhibit 6: EBITDA margin maintaining double digit rate (%)**


Source : Company

**Exhibit 7: Debt in the books (Rs bn)**


Source : Company

**Exhibit 8: Change in estimate**

Rs mn	Old			New			Change		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	37,406	44,139	50,759	39,374	47,249	56,699	5%	7%	12%
EBITDA	4,489	5,238	6,326	4,626	5,434	6,520	3%	4%	3%
PAT	3,270	3,977	5,042	3,374	4,149	5,088	3%	4%	1%
Order Book	91,313	97,175	96,415	89,345	92,095	85,396	-2%	-5%	-11%
Order Inflow	45,000	50,000	50,000	45,000	50,000	50,000	0%	0%	0%

Source: IDBI Capital Research

**Exhibit 9: SOTP-based valuation methodology**

Particulars	FY23E New
PAT (Rs m)	5,088
Multiple (x)	5.0
Equity value (Rs m)	25,440
No. of shares (m)	281
Equity value (Rs/sh)	91
Investments in Subs FY20	50
Less Debt (Rs/sh) FY20	13
<b>Target price (Rs)</b>	<b>128</b>

Source: IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY20	FY21E	FY22E	FY23E
<b>Net sales</b>	<b>39,374</b>	<b>39,374</b>	<b>47,249</b>	<b>56,699</b>
<i>growth (%)</i>	3.1	-	20.0	20.0
Operating expenses	(33,518)	(34,748)	(41,816)	(50,179)
<b>EBITDA</b>	<b>5,856</b>	<b>4,626</b>	<b>5,434</b>	<b>6,520</b>
<i>growth (%)</i>	13.7	-21.0	17.4	20.0
Depreciation	(1,111)	(1,212)	(1,319)	(1,430)
<b>EBIT</b>	<b>4,745</b>	<b>3,414</b>	<b>4,115</b>	<b>5,091</b>
Interest paid	(855)	(655)	(356)	(116)
Other income	1,449	1,739	1,774	1,809
<b>Pre-tax profit</b>	<b>5,340</b>	<b>4,498</b>	<b>5,532</b>	<b>6,784</b>
Tax	(1,468)	(1,125)	(1,383)	(1,696)
<i>Effective tax rate (%)</i>	27.5	25.0	25.0	25.0
Minority Interest	-	-	-	-
<b>Net profit</b>	<b>3,871</b>	<b>3,374</b>	<b>4,149</b>	<b>5,088</b>
Exceptional items	-	-	-	-
<b>Adjusted net profit</b>	<b>3,871</b>	<b>3,374</b>	<b>4,149</b>	<b>5,088</b>
<i>growth (%)</i>	35.3	(12.9)	23.0	22.6
<i>Shares o/s (mn nos)</i>	281	281	281	281

### Cash Flow Statement

(Rs mn)

Year-end: March	FY20	FY21E	FY22E	FY23E
Pre-tax profit	5,340	4,498	5,532	6,784
Depreciation	1,111	1,212	1,319	1,430
Tax paid	(1,414)	(1,125)	(1,383)	(1,696)
Chg in working capital	2,812	(7,281)	(1,003)	(1,574)
Other operating activities	(437)	141	(202)	116
<b>Cash flow from operations (a)</b>	<b>7,413</b>	<b>(2,554)</b>	<b>4,263</b>	<b>5,060</b>
Capital expenditure	(579)	(700)	(750)	(750)
Chg in investments	(2,816)	(3,000)	(1,500)	(1,500)
Other investing activities	2,830	514	559	-
<b>Cash flow from investing (b)</b>	<b>(566)</b>	<b>(3,186)</b>	<b>(1,691)</b>	<b>(2,250)</b>
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	407	709	(1,868)	(1,500)
Dividend (incl. tax)	-	-	-	-
Chg in minorities				
Other financing activities	(4,882)	(655)	(356)	(116)
<b>Cash flow from financing (c)</b>	<b>(4,475)</b>	<b>54</b>	<b>(2,224)</b>	<b>(1,616)</b>
<b>Net chg in cash (a+b+c)</b>	<b>2,372</b>	<b>(5,686)</b>	<b>347</b>	<b>1,193</b>

**Balance Sheet**

(Rs mn)

Year-end: March	FY20	FY21E	FY22E	FY23E
Net fixed assets	3,586	3,074	2,504	1,825
Investments	22,137	25,137	26,637	28,137
Other non-curr assets	1,514	1,514	1,514	1,514
<b>Current assets</b>	<b>25,882</b>	<b>28,113</b>	<b>30,102</b>	<b>36,402</b>
Inventories	1,534	1,904	2,062	2,475
Sundry Debtors	14,440	17,260	17,799	21,359
Cash and Bank	2,529	(3,156)	(2,809)	(1,616)
Marketable Securities	382	382	382	382
Loans and advances	1,535	6,260	7,205	8,339
<b>Total assets</b>	<b>53,119</b>	<b>57,837</b>	<b>60,758</b>	<b>67,878</b>
<b>Shareholders' funds</b>	<b>25,989</b>	<b>29,363</b>	<b>33,512</b>	<b>38,600</b>
Share capital	1,404	1,404	1,404	1,404
Reserves & surplus	24,586	27,959	32,109	37,197
<b>Total Debt</b>	<b>3,610</b>	<b>4,319</b>	<b>2,451</b>	<b>951</b>
Secured loans	1,921	3,592	1,724	224
Unsecured loans	1,689	727	727	727
Other liabilities	2,292	2,292	2,292	2,292
<b>Curr Liab &amp; prov</b>	<b>21,227</b>	<b>21,863</b>	<b>22,502</b>	<b>26,034</b>
Current liabilities	15,675	18,342	18,860	22,252
Provisions	5,552	3,521	3,642	3,782
<b>Total liabilities</b>	<b>27,130</b>	<b>28,474</b>	<b>27,246</b>	<b>29,278</b>
<b>Total equity &amp; liabilities</b>	<b>53,119</b>	<b>57,837</b>	<b>60,758</b>	<b>67,878</b>
<b>Book Value (Rs)</b>	<b>93</b>	<b>105</b>	<b>119</b>	<b>138</b>

Source: Company; IDBI Capital Research

**Financial Ratios**

Year-end: March	FY20	FY21E	FY22E	FY23E
Adj. EPS (Rs)	13.8	12.0	14.8	18.1
Adj. EPS growth (%)	35.3	(12.9)	23.0	22.6
EBITDA margin (%)	14.9	11.8	11.5	11.5
Pre-tax margin (%)	13.6	11.4	11.7	12.0
ROE (%)	16.1	12.2	13.2	14.1
ROCE (%)	14.5	10.1	11.1	12.7
<b>Turnover &amp; Leverage ratios (x)</b>				
Asset turnover (x)	0.7	0.7	0.8	0.9
Leverage factor (x)	2.2	2.0	1.9	1.8
Net margin (%)	9.8	8.6	8.8	9.0
Net Debt/Equity (x)	0.0	0.2	0.1	0.1
<b>Working Capital &amp; Liquidity ratio</b>				
Inventory days	14	18	16	16
Receivable days	134	160	138	138
Payable days	84	90	80	80

**Valuation**

Year-end: March	FY20	FY21E	FY22E	FY23E
P/E (x)	8.0	9.2	7.4	6.1
Price / Book value (x)	1.2	1.1	0.9	0.8
PCE (x)	6.2	6.7	5.6	4.7
EV / Net sales (x)	0.8	1.0	0.8	0.6
EV / EBITDA (x)	5.4	8.2	6.6	5.1
Dividend Yield (%)	0.0	0.0	0.0	0.0



# Notes

Dealing

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**BUY:** Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto  $\pm 5\%$ ; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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