

Ashoka Buildcon

BUY

Execution improving

Summary

Ashoka Buildcon (ASBL) Q1FY22 standalone PAT came 19%/ 25% higher than our / consensus estimate. This is led by better execution as work efficiency improved and currently operating at 100% efficiency level. On execution front, company has guided for revenue increase of 25% with EBITDA margin of 12-12.5% for FY22E. Post the result we have increased revenue to 20% YoY pa for FY22E/23E. This has resulted in increase in the EPS by 4% and 6% for FY22E and FY23E respectively. And SOTP base TP is revised to Rs135 (earlier Rs128), TP implied valuation is at 7x FY23E EPS (last 5 years avg at 12x). Catalyst for stock performance is conclusion of ACL asset sale, execution momentum and order win. Maintain BUY.

Key Highlights and Investment Rationale

- Q1FY22 snapshot:** ASBL Q1FY22 Revenue was up by 77% YoY at Rs10bn. This was led by pick up in execution. EBITDA stood at Rs1.2bn (+47% YoY) with EBITDA margin of 11.9%. PAT at Rs1bn, +47% YoY. EBITDA margin was lower YoY and QoQ and ASBL has guided for EBITDA margin of 12-12.5% for FY22E.
- Order inflow guidance of Rs70bn in FY22E:** Until July 21 ASBL has received order inflow of Rs30bn and has guided for incremental order inflow of Rs40bn. As on Q1FY22 Order book stood at Rs95bn (equals 2x TTM Revenue) with Roads at 65%, power T&D 14%, EPC building at 14% and Railway at 8%. Over mid-term, ASBL guidance for order book composition is railway and highway at 70% and other segment at 30% of the order book.
- Status on ACL monetization:** ACL till date has equity investment of Rs19bn (incl Rs8bn from SBI Macq), Rs11bn of debt support from ASBL. ASBL has guided for monetization of ACL portfolio of assets by FY22E. Investors due diligence is on after ASBL plan to sell the asset on piecemeal basis. Conclusion of this will remove overhang on the stock performance and provide CF for future growth to ASBL.

TP	Rs135	
CMP	Rs101	
Potential upside / downside	+34%	

V/s Consensus

EPS (Rs)	FY22E	FY23E
IDBI Capital	15.8	19.2
Consensus	13.9	15.7
% difference	13.8	22.0

Shareholding Pattern (%)

Promoters	54.5
FII	3.5
DII	24.3
Public	17.7

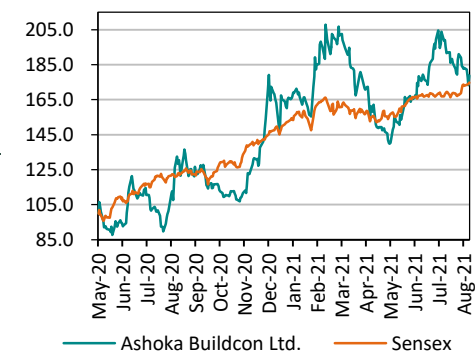
Price Performance (%)

	-1m	-3m	-12m
Absolute	(10.0)	15.0	66.3
Rel to Sensex	(14.7)	2.3	23.3

Key Stock Data

Bloomberg / Reuters	ASBL IN / ABDL.BO
Sector	Construction
Shares o/s (mn)	281
Market cap. (Rs mn)	28,241
Market cap. (US\$ mn)	380
3-m daily avg Trd value (Rs mn)	253.1
52-week high / low	Rs119 / 59
Sensex / Nifty	54,844 / 16,364

Relative to Sensex (%)



Financial snapshot

Year	FY19	FY20	FY21	FY22E	FY23E
Revenue	38,206	39,374	38,175	45,810	54,972
EBITDA	5,152	5,856	5,195	5,497	6,597
EBITDA (%)	13.5	14.9	13.6	12.0	12.0
Adj. PAT	2,862	3,871	4,081	4,448	5,396
EPS (Rs)	10.2	13.8	14.5	15.8	19.2
EPS Growth (%)	(20.2)	35.3	5.4	9.0	21.3
PE (x)	10.0	7.4	7.0	6.4	5.3
Dividend Yield (%)	0.5	-	-	-	-
EV/EBITDA (x)	7.0	5.0	5.9	5.0	3.7
RoE (%)	13.8	16.1	14.6	13.8	14.5
RoCE (%)	15.6	14.5	12.6	11.8	13.2

Source: IDBI Capital Research;

Conference call takeaways

- ASBL business operations and execution were less impacted by the second wave vs first wave. From Apr-May' 21 company witnessed slowdown in execution momentum. But saw pick in execution from June-21 with the improvement in the covid scenario and is currently operating at 100% efficiency level.
- On Toll Collection front, Q1FY22 BOT division recorded toll collection of Rs2.1bn vs Rs1.3bn YoY / Rs2.6bn QoQ.
- Q1FY22 Order book stood at Rs105bn (incl order in July 21) constituting Roads HAM/ Roads EPC/ Power T&D and Others/ Railways/ EPC Buildings/ CGD at 33%/ 32%/ 14%/ 8%/ 13%/ 1%. Company's key focus areas to remain on highways and railways and expect it to be 70% of total order book and other segments at 30%.
- In July 21 ASBL won projects worth Rs10bn which includes orders of IRCON International Ltd / Zodaic Helotronics Pvt. Ltd. of Rs4bn/ Rs6bn. Q1FY22 total order inflow including the 2 orders stood at Rs30bn.
- As on June' 21 ASBL has bagged Rs30bn and is targeting another ~Rs40bn in FY22 constituting highways and railways/ buildings verticals at Rs30bn / Rs10bn.
- On payment cycle front, projects saw an improvement in the collections in Q1FY22. From Bihar ASBL has received old dues and is expected to receive payments from Jharkhand by Q2FY22. Q1FY22 Receivables from Bihar/ UP/ Jharkhand stood at Rs2bn/ Rs2.5bn/ Rs1.4bn
- Equity requirement for all 10 HAM projects stood at Rs13bn. Out of this company has already invested Rs8bn. Incremental equity requirements for FY22/ FY23 stood at Rs1.8bn/ Rs1.4bn.
- Total Consolidated Debt stood at Rs62bn of which Rs57bn project debt. And Standalone debt stood at Rs5.3bn including equipment loans/ working capital of Rs1.4bn/ Rs3.9bn.
- Q1FY22 Debtors stood at Rs13bn, Mobilisation advance at Rs4bn. Un-built revenue/ Retention money stood at Rs7bn/ Rs3bn.
- Capex for FY22 is expected to be ~Rs0.25-0.3bn. And based on new projects coming in, it will overflow to FY23.
- Giving guidance, ASBL expects topline to grow by 25% on FY21 revenue. Going forward, company expects EBITDA margin to be ~12-12.5%.
- ACL portfolio has total equity of Rs19bn (incl Rs8bn from SBI –Mac), Rs11bn debt support from ASBL, Bank Debt of Rs35bn

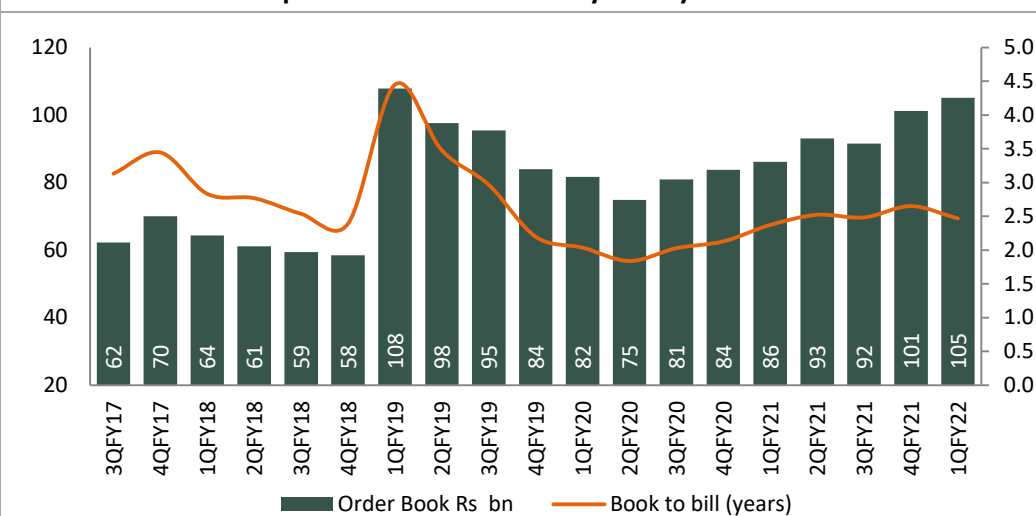
Exhibit 1: Financial snapshot: Quarterly

(Rs mn)

Particulars	Q1FY22	Q1FY21	YoY Chg (%)	Q4FY21	QoQ Chg (%)
Net Sales	10,114	5,724	76.7	13,870	-27.1
EBIDTA	1,199	819	46.5	2,012	-40.4
<i>EBITDA margin (%)</i>	11.9	14.3		14.5	
Other income	472	483	-2.3	466	1.2
PBITD	1,671	1,302	28.4	2,478	-32.6
Depreciation	161	223	-27.9	216	-25.5
Interest	164	166	-1.4	225	-27.4
Pre-tax profit	1,347	913	47.5	2,037	-33.9
Tax (current+deferred)	334	222	50.0	546	-38.9
Profit after tax	1,013	691	46.7	1,492	-32.1
Adj. EPS (Rs.)	3.61	2.46	46.7	5.31	-32.1

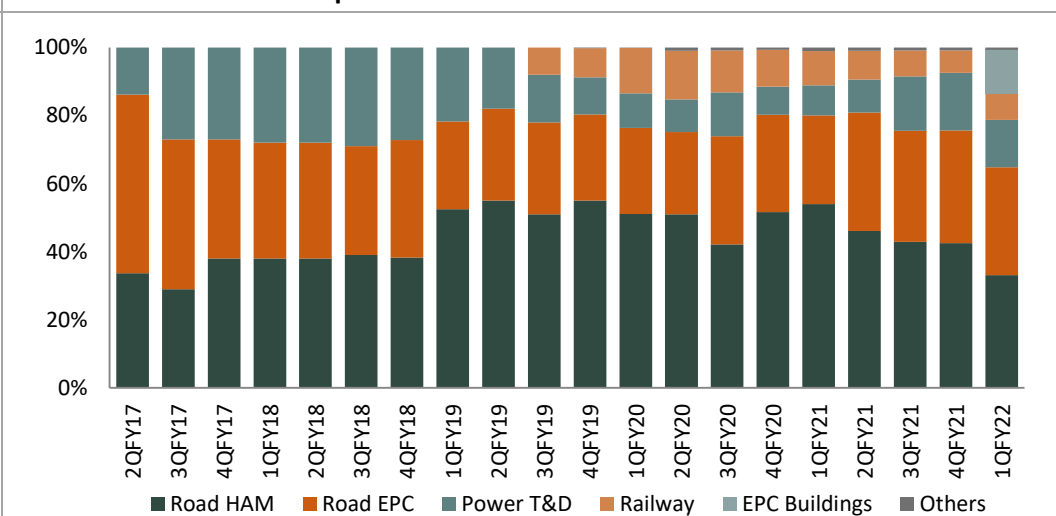
Source: Company; IDBI Capital Research

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



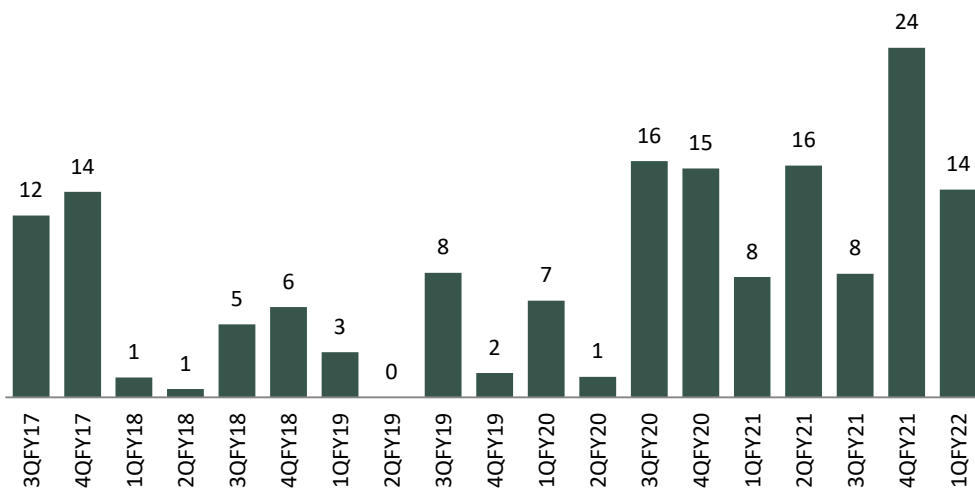
Source: Company

Exhibit 3: Order book composition : Road sector at 65%



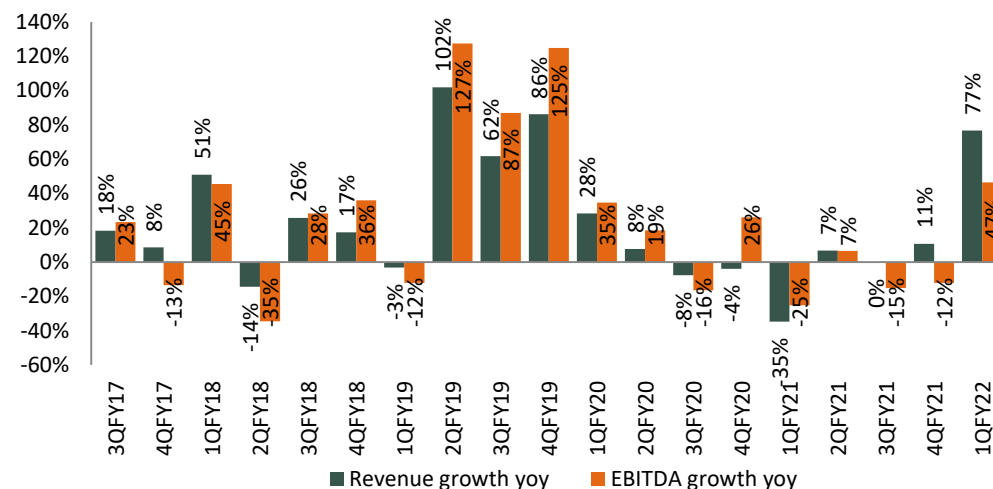
Source: Company

Exhibit 4: Order inflow trajectory: Consistently winning, Rs14bn inflow in Q1FY22



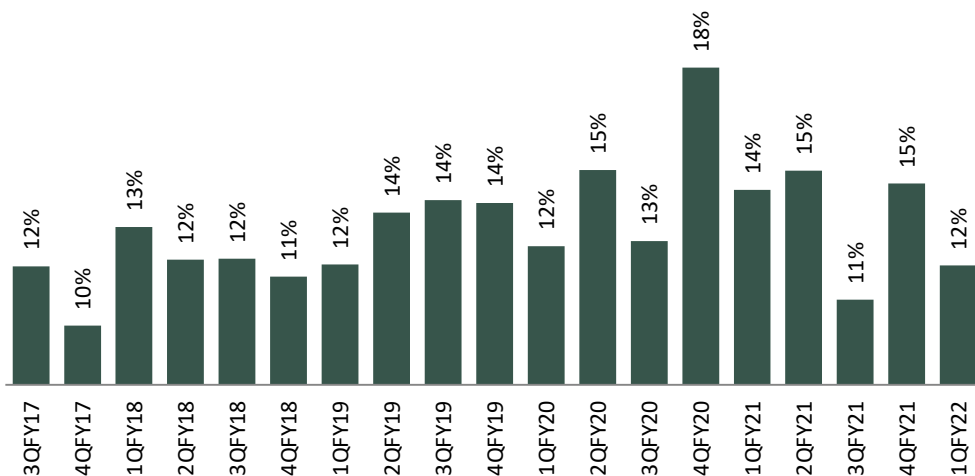
Source : Company

Exhibit 5: Execution over the years, lumpy in nature



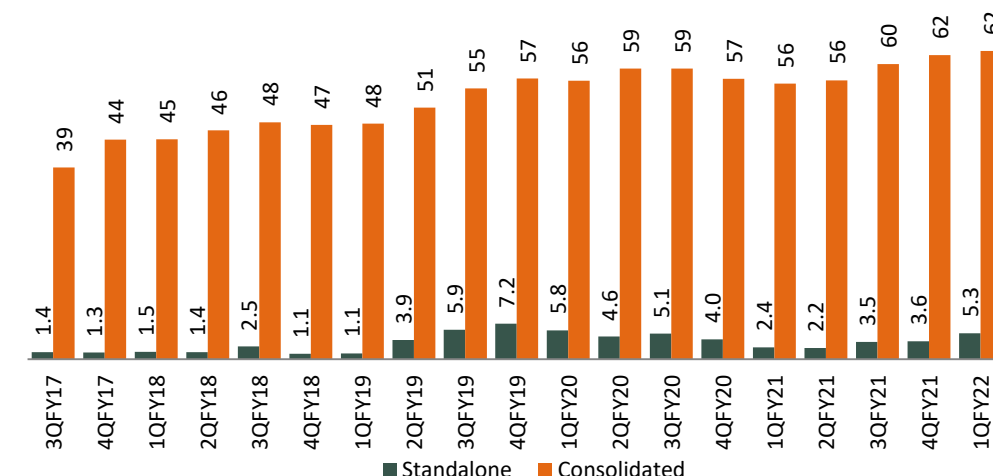
Source : Company

Exhibit 6: EBITDA margin lower (%)



Source : Company

Exhibit 7: Debt in the books (Rs bn)



Source : Company

Exhibit 8: SOTP-based valuation methodology

Particulars	FY23E
PAT (Rs m)	5,396
Multiple (x)	5.0
Equity value (Rs m)	26,982
No. of shares (m)	281
Equity value (Rs/sh)	96
Investments in Subs FY20	52
Less Debt (Rs/sh) FY20	13
Target price (Rs)	135

Source: IDBI Capital Research

Exhibit 9: Valuation band



Source: IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: Dec.	FY20	FY21	FY22E	FY23E
Net sales	39,374	38,175	45,810	54,972
<i>Growth (%)</i>	3.1	(3.0)	20.0	20.0
Operating expenses	(33,518)	(32,980)	(40,313)	(48,376)
EBITDA	5,856	5,195	5,497	6,597
<i>Growth (%)</i>	13.7	-11.3	5.8	20.0
Depreciation	(1,111)	(872)	(951)	(1,054)
EBIT	4,745	4,323	4,546	5,543
Interest paid	(855)	(772)	(356)	(116)
Other income	1,449	1,921	1,774	1,809
Pre-tax profit	5,340	5,472	5,964	7,236
Tax	(1,468)	(1,391)	(1,516)	(1,839)
<i>Effective tax rate (%)</i>	27.5	25.4	25.4	25.4
Net profit	3,871	4,081	4,448	5,396
Exceptional items	-	-	-	-
Adjusted net profit	3,871	4,081	4,448	5,396
<i>Growth (%)</i>	35.3	5.4	9.0	21.3
<i>Shares o/s (mn nos)</i>	281	281	281	281

Cash Flow Statement

(Rs mn)

Year-end: Dec.	FY20	FY21	FY22E	FY23E
Pre-tax profit	5,340	5,472	5,964	7,236
Depreciation	1,111	872	951	1,054
Tax paid	(1,414)	(1,227)	(1,516)	(1,839)
Chg in working capital	2,812	(3,251)	885	(300)
Other operating activities	(437)	(556)	(202)	116
Cash flow from operations (a)	7,413	1,310	6,081	6,267
Capital expenditure	(579)	(186)	(1,153)	(750)
Chg in investments	(2,816)	(2,852)	(2,000)	(2,000)
Other investing activities	2,830	973	559	-
Cash flow from investing (b)	(566)	(2,064)	(2,594)	(2,750)
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	407	22	(367)	(2,500)
Dividend (incl. tax)	-	-	-	-
Chg in minorities	-	-	-	-
Other financing activities	(4,882)	(758)	(356)	(116)
Cash flow from financing (c)	(4,475)	(736)	(723)	(2,616)
Net chg in cash (a+b+c)	2,372	(1,490)	2,765	900

Balance Sheet

(Rs mn)

Year-end: Dec.	FY20	FY21	FY22E	FY23E
Net fixed assets	3,586	2,871	3,073	2,769
Investments	22,137	25,779	27,779	29,779
Other non-curr assets	1,514	1,369	1,369	1,369
Current assets	25,882	24,852	30,015	34,578
Inventories	1,534	1,717	2,209	2,651
Sundry Debtors	14,440	14,200	16,107	19,328
Cash and Bank	2,529	1,040	3,804	4,705
Marketable Securities	382	324	324	324
Loans and advances	1,535	572	572	572
Total assets	53,119	54,872	62,236	68,496
Shareholders' funds	25,989	30,067	34,515	39,912
Share capital	1,404	1,404	1,404	1,404
Reserves & surplus	24,586	28,664	33,112	38,508
Total Debt	3,610	3,551	3,184	684
Secured loans	1,921	1,091	1,724	224
Unsecured loans	1,689	2,460	1,460	460
Other liabilities	2,292	2,983	2,983	2,983
Curr Liab & prov	21,227	18,270	21,554	24,917
Current liabilities	15,675	14,932	18,120	21,364
Provisions	5,552	3,338	3,433	3,552
Total liabilities	27,130	24,804	27,721	28,584
Total equity & liabilities	53,119	54,872	62,236	68,496
Book Value (Rs)	93	107	123	142

Source: Company; IDBI Capital Research

Financial Ratios

Year-end: Dec.	FY20	FY21	FY22E	FY23E
Adj EPS (Rs)	13.8	14.5	15.8	19.2
Adj EPS growth (%)	35.3	5.4	9.0	21.3
EBITDA margin (%)	14.9	13.6	12.0	12.0
Pre-tax margin (%)	13.6	14.3	13.0	13.2
ROE (%)	16.1	14.6	13.8	14.5
ROCE (%)	14.5	12.6	11.8	13.2
Turnover & Leverage ratios (x)				
Asset turnover (x)	0.7	0.7	0.8	0.8
Leverage factor (x)	2.2	1.9	1.8	1.8
Net margin (%)	9.8	10.7	9.7	9.8
Net Debt/Equity (x)	0.0	0.1	(0.0)	(0.1)
Working Capital & Liquidity ratio				
Inventory days	14	16	18	18
Receivable days	134	136	128	128
Payable days	84	76	80	80

Valuation

Year-end: Dec.	FY20	FY21	FY22E	FY23E
PER (x)	7.4	7.0	6.4	5.3
Price / Book value (x)	1.1	0.9	0.8	0.7
PCE (x)	5.7	5.8	5.3	4.4
EV / Net sales (x)	0.7	0.8	0.6	0.4
EV / EBITDA (x)	5.0	5.9	5.0	3.7
Dividend Yield (%)	0.0	0.0	0.0	0.0



Notes

Dealing

(91-22) 6836 1111

dealing@idbicapital.com

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

6th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400 005. Phones: (91-22) 2217 1700; Fax: (91-22) 2215 1787; Email: info@idbicapital.com

SEBI Registration: BSE & NSE (Cash & FO) – INZ000007237, NSDL – IN-DP-NSDL-12-96, Research – INH000002459, CIN – U65990MH1993GOI075578**Compliance Officer:** Christina D'souza; Email: compliance@idbicapital.com; Telephone: (91-22) 2217 1907**Disclaimer**

This report has been published by IDBI Capital Markets & Securities Ltd.(hereinafter referred to as "IDBI Capital") for private circulation. This report should not be reproduced or copied or made available to others. No person associated with IDBI Capital is obligated to call or initiate contact with you for the purposes of elaborating or following up on the information contained in this report. The information contained herein is strictly confidential and meant for solely for the selected recipient and may not be altered in any way, transmitted to copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without the prior written consent of IDBI Capital.

Recipients may not receive this report at the same time as other recipients. IDBI Capital will not treat recipients as customers by virtue of their receiving this report.

The information contained herein is from the public domain or sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. While reasonable care has been taken to ensure that information given is at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the very nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Opinions expressed are current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis, the information discussed in this material, IDBI Capital, its directors, employees are under no obligation to update or keep the information current. Further there may be regulatory, compliance, or other reasons that prevent us from doing so.

Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

IDBI Capital, its directors and employees and any person connected with it, will not in any way be responsible for the contents of this report or for any losses, costs, expenses, charges, including notional losses/lost opportunities incurred by a recipient as a result of acting or non-acting on any information/material contained in the report.

This is not an offer to sell or a solicitation to buy any securities or an attempt to influence the opinion or behavior of investors or recipients or provide any investment/tax advice.

This report is for information only and has not been prepared based on specific investment objectives. The securities discussed in this report may not be suitable for all investors. Investors must make their own investment decision based on their own investment objectives, goals and financial position and based on their own analysis.

Trading in stocks, stock derivatives, and other securities is inherently risky and the recipient agrees to assume complete and full responsibility for the outcomes of all trading decisions that the recipient makes, including but not limited to loss of capital.

Opinions, projections and estimates in this report solely constitute the current judgment of the author of this report as of the date of this report and do not in any way reflect the views of IDBI Capital, its directors, officers, or employees.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IDBI Capital and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this report may come are required to inform themselves of and to observe such restriction.

E-mail is not a secure method of communication. IDBI Capital cannot accept responsibility for the accuracy or completeness of any e-mail message or any attachment(s).

This transmission could contain viruses, be corrupted, destroyed, incomplete, intercepted, lost or arrived late. IDBI Capital, its directors or employees or associates accept no liability for any damage caused, directly or indirectly, by this email.

Analyst Disclosures

We, Vishal Periwal and Shouvik Chakraborty, hereby certify that the views expressed in this report accurately reflect our personal views about the subject companies and / or securities. We also certify that no part of our compensation were, are or would be directly or indirectly related to the specific recommendations or views expressed in this report. Principally, We will be responsible for the preparation of this research report and have taken reasonable care to achieve and maintain independence and objectivity in making any recommendations herein.

Other Disclosure

IDBI Capital Markets & Securities Ltd.(herein after referred to as "IDBI Capital") was incorporated in the year 1993 under Companies Act, 1956 and is a wholly owned subsidiary of IDBI Bank Limited. IDBI Capital is one of India's leading securities firm which offers a full suite of products and services to individual, institutional and corporate clients namely Stock broking (Institutional and Retail) , Distribution of financial products, Merchant Banking, Corporate Advisory Services, Debt Arranging & Underwriting, Portfolio Manager Services and providing Depository Services. IDBI Capital is a registered trading and clearing member of BSE Ltd. (BSE) and National Stock Exchange of India Limited (NSE). IDBI Capital is also a SEBI registered Merchant Banker, Portfolio Manager and Research Analyst. IDBI Capital is also a SEBI registered depository participant with National Securities Depository Limited (NSDL) and is also a Mutual Fund Advisor registered with Association of Mutual Funds in India (AMFI).

IDBI Capital and its associates IDBI Bank Ltd. (Holding Company), IDBI Intech Ltd. (Fellow Subsidiary), IDBI Asset Management Ltd. (Fellow Subsidiary) and IDBI Trusteeship Services Ltd. (Fellow Subsidiary).

IDBI Group is a full-serviced banking, integrated investment banking, investment management, brokerage and financing group. Details in respect of which are available on www.idbicapital.com IDBI Capital along with its associates are leading underwriter of securities and participants in virtually all securities trading markets in India. We and our associates have investment banking and other business relationships with a significant percentage of the companies covered by our Research Department. Investors should assume that IDBI Capital and/or its associates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material. IDBI Capital generally prohibits its analysts, persons reporting to analysts, and their dependent family members having a financial conflict of interest in the securities or derivatives of any companies that the analysts cover. Additionally, IDBI Capital generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our sales people, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Directors of IDBI Capital or its associates may have interest in the Companies under recommendation in this report either as Director or shareholder. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of clients of IDBI Capital. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. We and our associates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. For the purpose of calculating whether IDBI Capital and its associates holds beneficially owns or controls, including the right to vote for directors, 1% or more of the equity shares of the subject issuer of a research report, the holdings does not include accounts managed by IDBI Asset Management Company/ IDBI Mutual Fund.

IDBI Capital hereby declares that our activities were neither suspended nor we have materially defaulted with any Stock Exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on IDBI Capital for certain operational deviations. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time. IDBI Capital, its directors or employees or associates, may from time to time, have positions in, or options on, and buy and sell securities referred to herein. IDBI Capital or its associates, during the normal course of business, from time to time, may solicit from or perform investment banking or other services for any company mentioned in this document or their connected persons or be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or their affiliate companies or act as advisor or lender / borrower to such company(ies)/associates companies or have other potential conflict of interest. This report may provide hyperlinks to other websites. Except to the extent to which the report refers to the website of IDBI Capital, IDBI Capital states that it has not reviewed the linked site and takes no responsibility for the content contained in such other websites. Accessing such websites shall be at recipient's own risk. IDBI Capital encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. Accordingly, neither IDBI Capital nor Research Analysts have any material conflict of interest at the time of publication of this report. We offer our research services to primarily institutional investors and their employees, directors, fund managers, advisors who are registered with us. The Research Analyst has not served as an officer, director or employee of Subject Company. We or our associates may have received compensation from the subject company in the past 12 months. We or our associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. We or our associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. We or our associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. We or our associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research Analyst or his/her relative's may have financial interest in the subject company. IDBI Capital or its associates may have financial interest in the subject company. Research Analyst or his/her relatives does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. IDBI Capital or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. The Subject Company may have been a client during twelve months preceding the date of distribution of the research report. Price history of the daily closing price of the securities covered in this note is available at www.bseindia.com; www.nseindia.com and www.economicstimes.indiatimes.com/markets/stocks/stock-quotes.