

Ashoka Buildcon (ASBL IN)

Rating: BUY | CMP: Rs60 | TP: Rs147

Execution momentum picking up

Quick Pointers:

- With availability of over 90% labour force at project sites, current operational efficiency stands at ~85% pre-covid levels.
- Order book stands strong at ~Rs86.2bn (2.4x TTM revenues). Given strong bid pipeline, management guided Rs40-50bn of additional inflows in FY21E.
- SBI Macquarie stake sale deal continues to be an overhang on the stock, negotiations to likely restart with prospective buyers.

ASBL reported resilient operational performance in a tough scenario with revenues falling 34% YoY due to Covid-19 pandemic, impacting construction activities. Company posted strong margins on the back of reversal of contingency provisions for projects nearing completion. All project sites are currently operational at ~85% efficiency levels, as labour force strongly bounced back to over 90% pre-covid levels. SBI Macquarie stake sale deal continues to remain an overhang on the stock with negotiations likely to restart with prospective buyers, as toll-collections revive to ~90% level.

We remain positive on the company given a) its excellent blend of diversified EPC orders and Asset ownership (23 Road assets and 3 City Gas Distribution assets), b) stable EPC margins and c) healthy order book (Rs86.2bn as on 1QFY21) and its foray into new verticals- Railways (10% of order book) and smart cities. At CMP, the stock trades at an EV of 6x/5.1x FY21E/FY22E EBITDA. We maintain BUY rating on the stock with a SoTP based TP of Rs147.

Robust execution pace with strong EBITDA margins: Revenues fell 34.7% YoY to Rs5.7bn (beating our estimate of Rs3.4bn) in 1QFY21 led by strong execution in key projects and impact of nationwide lockdown being lower than anticipated. EBITDA fell by 25.2% YoY to Rs819mn with EBITDA margins surprising positively at 14.3% (above PL/street estimates of 2.3%/8.7%) primarily due to reversal of contingency provisions in projects nearing completion. On the bottom line front, adjusted PAT rose marginally by 6.8% YoY to Rs691mn (PL: loss of Rs108mn) boosted by strong execution, sturdy operating margins and higher other income (Rs50mn insurance claim received & Rs50mn gain on restructuring of equipment loan).

Robust Order book; Bid pipeline remains strong: As at 1QFY21, ASBL's order book stands at Rs86.2bn, translating order book-to-sales ratio of 2.4x trailing revenues, providing comfortable revenue visibility. Order book mix stands at: 54% Roads-HAM segment, 26% Road-EPC, 10% Railways segment and Power projects at 9%. With strong bid pipeline in roads and railways segments, management targets order inflows of Rs40-50bn in FY21E (Rs30-40bn in Roads and Rs10-12bn in Railways). Company's gross standalone debt came down sequentially to ~Rs2.4bn from Rs4bn in 4QFY20, against which it holds Cash (including fixed deposits) of Rs1.8bn.

August 12, 2020

Q1FY21 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	147		147	
Sales (Rs. m)	55,485	59,009	55,485	59,009
% Chng.	-	-	-	-
EBITDA (Rs. m)	15,980	16,994	15,980	16,994
% Chng.	-	-	-	-
EPS (Rs.)	2.7	2.6	2.7	2.6
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	50,705	44,281	55,485	59,009
EBITDA (Rs. m)	15,752	12,753	15,980	16,994
Margin (%)	31.1	28.8	28.8	28.8
PAT (Rs. m)	1,604	(835)	766	723
EPS (Rs.)	5.7	(3.0)	2.7	2.6
Gr. (%)	709.5	(152.1)	(191.8)	(5.6)
DPS (Rs.)	-	1.0	1.0	1.0
Yield (%)	-	1.7	1.7	1.7
RoE (%)	45.7	(23.3)	23.4	19.4
RoCE (%)	20.3	14.6	17.9	17.7
EV/Sales (x)	1.3	1.7	1.5	1.5
EV/EBITDA (x)	4.3	6.0	5.1	5.1
PE (x)	10.6	(20.3)	22.1	23.4
P/BV (x)	4.1	5.6	4.8	4.3

Key Data

ABDL.BO | ASBL IN

52-W High / Low	Rs.128 / Rs.37
Sensex / Nifty	38,370 / 11,308
Market Cap	Rs.17bn/ \$ 227m
Shares Outstanding	281m
3M Avg. Daily Value	Rs.206.7m

Shareholding Pattern (%)

Promoter's	54.48
Foreign	3.71
Domestic Institution	29.63
Public & Others	12.18
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.8)	(43.0)	(49.6)
Relative	(7.3)	(38.2)	(50.6)

Viral Shah

viralshah@plindia.com | 91-22-66322250

Shivang Joshi

shivangjoshi@plindia.com | 91-22-66322391

Exhibit 1: Quarterly Financials (Standalone): Robust execution in tough scenario with EBITDAM strong at 14.3%

Y/e March (Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY gr. (%)	QoQ gr. (%)	FY20	FY19	YoY gr. (%)
Revenue	8,768	8,223	9,836	12,548	5,724	(34.7)	(54.4)	39,374	38,206	3.1
Total Revenues	8,768	8,223	9,836	12,548	5,724	(34.7)	(54.4)	39,374	38,206	3.1
Expenditure	7,673	6,994	8,592	10,258	4,905	(36.1)	(52.2)	33,518	33,055	1.4
as % of sales	87.5	85.1	87.4	81.8	85.7			85.1	86.5	
Raw Material Expenses	6,916	6,262	7,734	9,063	4,344	(37.2)	(52.1)	29,975	30,300	(1.1)
as % of sales	78.9	76.1	78.6	72.2	75.9			76.1	79.3	
Employee Cost	431	435	529	424	408	(5.5)	(3.9)	1,820	1,490	22.1
as % of sales	4.9	5.3	5.4	3.4	7.1			4.6	3.9	
Other expenditure	326	297	329	771	154	(52.8)	(80.0)	1,723	1,265	36.3
as % of sales	3.7	3.6	3.3	6.1	2.7			4.4	3.3	
EBITDA	1,095	1,229	1,243	2,289	819	(25.2)	(64.2)	5,856	5,152	13.7
Depreciation	266	271	283	290	223	(16.3)	(23.2)	1,111	763	45.7
EBIT	829	957	960	1,999	596	(28.1)	(70.2)	4,745	4,389	8.1
Other Income	342	392	369	346	483	41.2	39.7	1,449	1,157	25.3
Interest	214	231	200	209	166	(22.3)	(20.8)	855	907	(5.8)
PBT	957	1,118	1,129	2,136	913	(4.6)	(57.2)	5,340	4,639	15.1
Total Tax	310	391	274	493	222	(28.4)	(54.9)	1,468	1,307	12.3
Adjusted PAT	647	727	855	1,642	691	6.8	(58.0)	3,871	3,332	16.2
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	0.0	0.0	0	0	0.0
PAT after MI	647	727	855	1,642	691	6.8	(58.0)	3,871	3,332	16.2
Extra ordinary items	0	0	0	0	0	0.0	0.0	0	-470	0.0
Reported PAT	647	727	855	1,642	691	6.8	(58.0)	3,871	2,862	35.3
Adjusted EPS	2.3	2.6	3.0	5.9	2.5	6.8	(58.0)	20.7	15.3	35.3
						bps	bps			bps
EBIDTA	12.5	14.9	12.6	18.2	14.3	182	-395	14.9	13.5	139
EBIT	9.4	11.6	9.8	15.9	10.4	96	-552	12.1	11.5	56
EBT	10.9	13.6	11.5	17.0	16.0	504	-107	13.6	12.1	142
PAT	7.4	8.8	8.7	13.1	12.1	469	-102	9.8	7.5	234
Effective Tax rate	32.4	35.0	24.2	23.1	24.4	-808	127	27.5	28.2	-68

Source: Company, PL

Exhibit 2: Key Assumptions

Rs mn	FY18	FY19	FY20E	FY21E	FY22E	FY23E
Order inflow	24,450	74,754	52,332	64,981	61,025	64,826
Revenues	24,006	35,825	35,255	37,580	45,428	47,700
Order book	58,487	83,940	92,334	1,10,801	1,16,341	1,22,158
Execution cycle (%)	37%	50%	40%	37%	40%	40%
OB to sales (x)	2.4	2.3	2.6	2.9	2.6	2.6

Source: Company, PL; Note (*): FY20 is an estimated figure as we await release of detailed number

Exhibit 3: SoTP Valuation

Particulars	Segment	Driver	Multiple	ABL's value (Rs mn)	ABL's value (Rs/share)	Proportionate (%) of value per share	Basis
Ashoka's construction business	Construction	2,671	10	26,712	95	64.6	P/E multiple of 10x FY22 earnings
Total				26,712	95	64.6	
Ashoka Concession Road BOT projects							
Nagar Aurangabad	Toll	51	100	51	0.2	0.1	NPV at CoE of 14%
Wainganga	Toll	449	50	225	1	0.5	NPV at CoE of 14%
Katni Bye Pass	Toll	158	100	158	1	0.4	NPV at CoE of 14%
Karnataka State highway	Annuity	715	100	715	3	1.7	NPV at CoE of 14%
Total				1,148	4	2.8	
ACL Road BOT Projects							
Bhandara	Toll	2,847	51	1,452	5	3.5	NPV at CoE of 14%
Belgaum Dharwad	Toll	4,359	100	4,359	16	10.5	NPV at CoE of 14%
Sambalpur Baragarh	Toll	602	100	602	2	1.5	NPV at CoE of 14%
Durg	Toll	3,255	51	1,660	6	4.0	NPV at CoE of 14%
Jaora-Nayagaon	Toll	14,207	38	5,356	19	12.9	NPV at CoE of 14%
Dhankuni-Kharagpur	Toll	6,904	100	6,904	25	16.7	NPV at CoE of 14%
Chennai outer ring road	Annuity	3,621	50	1,810	6	4.4	NPV at CoE of 14%
Total		35,794		22,143	79	53.5	
ABL's share @ 61%				13,507	48	32.7	
Grand Total				41,368	147	100.0	

Source: Company, PL

Concall Highlights

- ASBL's 1QFY21 revenues came at Rs5.7bn (down 35% YoY) as the execution was impacted by nationwide lockdown amidst Covid-19 pandemic. EBITDA margins improved to 14.3% (up 182bps YoY) primarily due to reversal of contingency provisions in the projects nearing completion. Company expects EBITDA margins to be in the range of 12.5-13% going forward.
- Other income stood higher at Rs483mn as the company received ~Rs50mn insurance claim and booked gain of ~Rs50mn on restructuring of an equipment loan during the quarter.
- As on 1QFY21, ASBLs total order book stands at Rs86.2bn, translating into order-book-to-sales ratio of 2.4x TTM revenues, providing comfortable revenue visibility.
- 54% of the order book caters to road-HAM segment, road-EPC contributes 26%, while railways and power segments account for 10% and 9% share, respectively.
- With strong bid pipeline in roads and railways segments, management targets addition of projects worth Rs40-50bn in FY21E (Rs30-40bn in Roads and Rs10-12bn in Railways).
- Almost all projects are operational and are currently operating at ~85% efficiency level. Further, labour availability has already reached over 90% pre-covid levels. Company expects strong execution momentum from 2HFY21E.
- Company saw sharp recovery in toll collection which currently stands at ~90% pre-covid levels.
- Company's gross standalone debt came down sequentially to ~Rs2.4bn from Rs4bn in 4QFY20, of which equipment loans stands at Rs2.1bn and working capital loans at Rs0.3bn. Cash (incl Fixed deposits) as at 1Q stands at Rs1.8bn.
- In 1QFY21, the company already invested ~Rs7bn (Rs0.6bn in Q1) in its under-development BOT/HAM projects. Further it would be infusing Rs2.3bn/ Rs1.5bn as equity in FY21E/ FY22E respectively.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	50,705	44,281	55,485	59,009
YoY gr. (%)	2.8	(12.7)	25.3	6.4
Cost of Goods Sold	11,594	13,284	16,645	17,703
Gross Profit	39,111	30,997	38,839	41,306
Margin (%)	77.1	70.0	70.0	70.0
Employee Cost	2,933	2,081	2,330	2,478
Other Expenses	-	4,649	5,826	6,196
EBITDA	15,752	12,753	15,980	16,994
YoY gr. (%)	13.0	(19.0)	25.3	6.4
Margin (%)	31.1	28.8	28.8	28.8
Depreciation and Amortization	2,998	3,354	3,594	3,834
EBIT	12,754	9,399	12,386	13,161
Margin (%)	25.2	21.2	22.3	22.3
Net Interest	10,426	11,390	12,290	13,190
Other Income	817	797	999	1,062
Profit Before Tax	3,146	(1,193)	1,095	1,033
Margin (%)	6.2	(2.7)	2.0	1.8
Total Tax	1,659	(358)	328	310
Effective tax rate (%)	52.7	30.0	30.0	30.0
Profit after tax	1,487	(835)	766	723
Minority interest	-	-	-	-
Share Profit from Associate	117	-	-	-
Adjusted PAT	1,604	(835)	766	723
YoY gr. (%)	709.5	(152.1)	(191.8)	(5.6)
Margin (%)	3.2	(1.9)	1.4	1.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,604	(835)	766	723
YoY gr. (%)	(497.7)	(152.1)	(191.8)	(5.6)
Margin (%)	3.2	(1.9)	1.4	1.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,604	(835)	766	723
Equity Shares O/s (m)	281	281	281	281
EPS (Rs)	5.7	(3.0)	2.7	2.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	97,304	1,04,804	1,12,304	1,19,804
Tangibles	97,304	1,04,804	1,12,304	1,19,804
Intangibles	-	-	-	-
Acc: Dep / Amortization	20,307	23,661	27,255	31,088
Tangibles	20,307	23,661	27,255	31,088
Intangibles	-	-	-	-
Net fixed assets	76,997	81,143	85,049	88,715
Tangibles	76,997	81,143	85,049	88,715
Intangibles	-	-	-	-
Capital Work In Progress	702	702	702	702
Goodwill	-	-	-	-
Non-Current Investments	19,191	20,159	22,037	23,908
Net Deferred tax assets	828	828	828	828
Other Non-Current Assets	2,021	2,162	2,272	2,380
Current Assets				
Investments	-	-	-	-
Inventories	4,348	4,319	5,412	5,755
Trade receivables	10,830	13,345	15,961	16,975
Cash & Bank Balance	7,544	4,264	4,151	3,961
Other Current Assets	3,688	3,783	3,975	4,166
Total Assets	1,35,512	1,41,984	1,52,053	1,59,655
Equity				
Equity Share Capital	1,404	1,404	1,404	1,404
Other Equity	2,739	1,623	2,109	2,552
Total Network	4,143	3,027	3,513	3,955
Non-Current Liabilities				
Long Term borrowings	56,559	56,559	56,559	56,559
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,716	6,716	11,716	16,716
Trade payables	8,185	10,797	13,529	14,388
Other current liabilities	23,117	23,093	24,944	26,245
Total Equity & Liabilities	1,35,512	1,41,984	1,52,053	1,59,655

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	3,262	(1,193)	1,095	1,033
Add. Depreciation	2,998	3,354	3,594	3,834
Add. Interest	10,424	11,390	12,290	13,190
Less Financial Other Income	817	797	999	1,062
Add. Other	(73)	-	-	-
Op. profit before WC changes	16,611	13,550	16,978	18,057
Net Changes-WC	(3,876)	(2,017)	(692)	(966)
Direct tax	(2,044)	358	(328)	(310)
Net cash from Op. activities	10,691	11,890	15,957	16,780
Capital expenditures	(1,035)	(7,500)	(7,500)	(7,500)
Interest / Dividend Income	199	-	-	-
Others	(330)	(1,000)	(1,000)	(1,000)
Net Cash from Invst. activities	(1,166)	(8,500)	(8,500)	(8,500)
Issue of share cap. / premium	141	-	-	-
Debt changes	454	5,000	5,000	5,000
Dividend paid	-	(281)	(281)	(281)
Interest paid	(6,307)	(11,390)	(12,290)	(13,190)
Others	-	-	-	-
Net cash from Fin. activities	(5,711)	(6,670)	(7,570)	(8,470)
Net change in cash	3,814	(3,280)	(113)	(190)
Free Cash Flow	9,592	4,390	8,457	9,280

Source: Company Data, PL Research

Key Financial Metrics

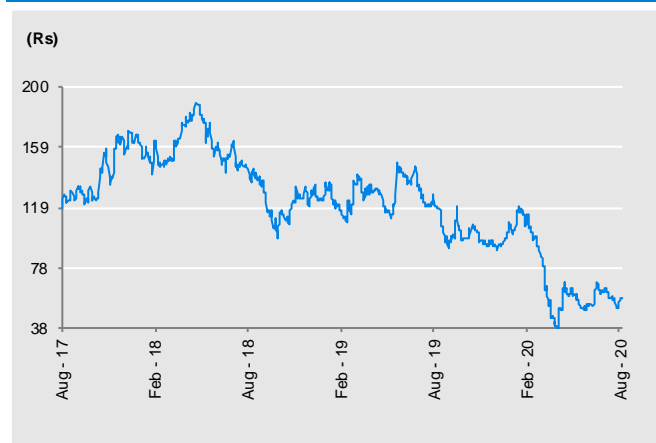
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	5.7	(3.0)	2.7	2.6
CEPS	16.4	9.0	15.5	16.2
BVPS	14.8	10.8	12.5	14.1
FCF	34.2	15.6	30.1	33.1
DPS	-	1.0	1.0	1.0
Return Ratio(%)				
RoCE	20.3	14.6	17.9	17.7
ROIC	10.9	10.9	13.4	13.1
RoE	45.7	(23.3)	23.4	19.4
Balance Sheet				
Net Debt : Equity (x)	12.2	19.5	18.3	17.5
Net Working Capital (Days)	16	30	29	29
Valuation(x)				
PER	10.6	(20.3)	22.1	23.4
P/B	4.1	5.6	4.8	4.3
P/CEPS	3.7	6.7	3.9	3.7
EV/EBITDA	4.3	6.0	5.1	5.1
EV/Sales	1.3	1.7	1.5	1.5
Dividend Yield (%)	-	1.7	1.7	1.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Revenue	8,223	9,836	12,548	5,724
YoY gr. (%)	7.6	(7.7)	(4.0)	(34.7)
Raw Material Expenses	-	-	-	-
Gross Profit	8,223	9,836	12,548	5,724
Margin (%)	100.0	100.0	100.0	100.0
EBITDA	1,229	1,243	2,289	819
YoY gr. (%)	18.5	(16.4)	26.2	(25.2)
Margin (%)	14.9	12.6	18.2	14.3
Depreciation / Depletion	271	283	290	223
EBIT	957	960	1,999	596
Margin (%)	11.6	9.8	15.9	10.4
Net Interest	231	200	209	166
Other Income	392	369	346	483
Profit before Tax	1,118	1,129	2,136	913
Margin (%)	13.6	11.5	17.0	16.0
Total Tax	391	274	493	222
Effective tax rate (%)	35.0	24.2	23.1	24.4
Profit after Tax	727	855	1,642	691
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	727	855	1,642	691
YoY gr. (%)	17.1	(16.1)	56.0	6.8
Margin (%)	8.8	8.7	13.1	12.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	727	855	1,642	691
YoY gr. (%)	17.1	37.6	67.6	6.8
Margin (%)	8.8	8.7	13.1	12.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	727	855	1,642	691
Avg. Shares O/s (m)	281	281	281	281
EPS (Rs)	2.6	3.0	5.9	2.5

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-20	BUY	147	64
2	16-Jun-20	BUY	147	56
3	07-Apr-20	BUY	147	39
4	11-Feb-20	BUY	167	105
5	03-Jan-20	BUY	167	107
6	23-Dec-19	BUY	167	95

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	874	913
2	Ahluwalia Contracts (India)	BUY	264	215
3	Ashoka Buildcon	BUY	147	64
4	Bharat Electronics	Hold	99	97
5	BHEL	Hold	34	41
6	Capacite's Infraprojects	BUY	162	111
7	Container Corporation of India	BUY	468	386
8	Cummins India	BUY	472	411
9	Engineers India	BUY	104	73
10	GE T&D India	Hold	71	82
11	H.G. Infra Engineering	BUY	259	200
12	IRB Infrastructure Developers	BUY	139	114
13	ITD Cementation India	BUY	67	52
14	J.Kumar Infraprojects	BUY	176	102
15	Kalpataru Power Transmission	BUY	261	258
16	KEC International	BUY	333	294
17	KNR Constructions	BUY	305	215
18	Larsen & Toubro	BUY	1,192	917
19	NCC	BUY	83	33
20	PNC Infratech	BUY	205	151
21	Power Grid Corporation of India	BUY	205	170
22	Sadbhav Engineering	BUY	87	49
23	Siemens	BUY	1,402	1,159
24	Thermax	Accumulate	798	760
25	Triveni Turbine	BUY	83	64
26	Voltamp Transformers	BUY	1,244	1,132

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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