

# Ashoka Buildcon

## Execution surprise

We maintain BUY on Ashoka Buildcon (ASBL) with a target price of Rs 141/sh. Earnings beat is driven by better-than-expected execution, controlled expenses, and one-offs. Labour availability has improved to ~90% (from 50-65% QoQ) with sites working at ~85% pre-COVID efficiency (vs. ~50% QoQ). After suspension during the first phase of lockdown, tolling reached 85% of pre-COVID level within three weeks of resumption and continues to be at ~90% level across projects. Low net D/E of 0.02x and comfortable liquidity insulate ABL from COVID-19 headwinds. No change in FY21/22 estimates.

- Better execution, controlled expenses, and one-offs led to earnings beat:** Revenue stood Rs at 5.7bn (-35/-50% YoY/QoQ, 52% beat vs estimate of Rs 3.7bn). EBITDA reported at Rs 0.82bn (-25/-37% YoY/QoQ, +4% QoQ, vs estimate of Rs 107mn). EBITDA impacted positively by ~2% owing to release of contingency reserves by three SPVs nearing project completion. Further, other income included one-offs: (1) Rs 50mn from an insurance claim, (2) Rs 50mn from Rs 650mn equipment loan restructuring. ASBL was also able to curtail fixed and admin expenses. Consequently, APAT came in at Rs 691mn (+6.8%/-22.6% YoY/QoQ, vs estimate of Rs -164mn). EBITDA margin guidance is at a historical level of 12-13%. Revenue break-up between roads/railways/power T&D – Rs 4.7/0.37/0.35 bn.
- Order book at Rs 86bn dominated by road segment:** While road segment represents 80% of the order book, 9% and 10% is constituted by Power T&D and Railways respectively. The company expects to win Rs 40-50bn (Rs 30-40bn roads, Rs 10-20bn railways) of projects once tendering activity picks up pace. Financial closure of TS-III, TS-IV and Kandi (still at ~60% 3H land) project expected by September end, in line with earlier guidance. These projects could start contributing to ASBL topline from as early as Oct-20.
- Liquidity position comfortable:** Consolidated gross/net debt stood at Rs 56/51bn, while standalone gross/net debt stood at Rs 2.4/0.6bn (0.025x net D/E). While ABL has not availed loan moratorium at standalone level, at SPV level, interest moratorium has been availed, with principal repayments as per schedule. HAM equity and Capex requirements remain modest at Rs 2.25bn (Rs 0.56bn in FYTD21, Rs 1.6bn in FY22) and Rs ~0.7bn respectively for remaining FY21. The company believes that ACL has sufficient cash and will not require loss funding from parent entity for BOT projects. With the resumption of tolling operation and a moratorium on principal, the company has sufficient liquidity to service interest payments of BOT assets. Although ACL asset monetisation process is on hold for now, we expect meaningful progress by FY21E end. Receivables, mainly in Railways and Power T&D, are at a similar level of Rs 6.5bn (including retention money).

## Financial summary

YE March (Rs mn)	Standalone					Consolidated			
	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Sales	5,724	8,768	(34.7)	11,548	(50.4)	49,301	50,705	48,112	54,506
EBITDA	819	1,085	(24.6)	1,289	(36.5)	13,943	15,752	12,658	14,072
APAT	691	647	6.8	892	(22.6)	267	1,653	(1,556)	(596)
Diluted EPS (Rs)	2.5	2.3	6.8	3.2	(22.6)	1.0	5.9	(5.5)	(2.1)
P/E (x)						64.1	10.4	(11.0)	(28.7)
EV / EBITDA (x)						5.1	4.3	6.6	6.3
RoE (%)						1.6	8.9	(8.5)	(3.6)

Source: Company, HSIE Research

**BUY**

CMP (as on 12 Aug 2020)	Rs 61
Target Price	Rs 141
NIFTY	11,308

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 141	Rs 141
	FY21E	FY22E
EPS Change %	-	-

## KEY STOCK DATA

Bloomberg code	ASBL IN
No. of Shares (mn)	281
MCap (Rs bn) / (\$ mn)	17/227
6m avg traded value (Rs mn)	79
52 Week high / low	Rs 128/37

## STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	7.5	(43.0)	(49.6)
Relative (%)	(14.8)	(35.3)	(51.7)

## SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	54.33	54.48
FIs & Local MFs	30.81	29.63
FPIs	5.47	3.71
Public & Others	9.39	12.18
Pledged Shares	-	-

Source : BSE

**Parikshit D Kandpal, CFA**  
 parikshitd.kandpal@hdfcsec.com  
 +91-22-6171-7317

**Rohan Rustagi**  
 rohan.rustagi@hdfcsec.com  
 +91-22-3021-7355

**Chintan Parikh**  
 chintan.parikh@hdfcsec.com  
 +91-22-6171-7330

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

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## HDFC securities

### Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 [www.hdfcsec.com](http://www.hdfcsec.com)