

Covid-19 impacts execution...

Ashoka Buildcon's (ABL) performance was a mixed bag in Q1FY21. Revenues de-grew ~35% YoY to ₹ 572.4 crore on account of weaker-than-expected execution during the quarter owing to Covid-19 led challenges such as amid lockdown and labour shortage. Reported EBITDA margin was up 180 bps YoY to 14.3%, mainly on account of release of contingencies on account of project completion. RPAT grew 11.9% YoY to ₹ 68.1 crore on account of higher other income (driven by insurance claim and restructuring of equipment loans) and higher reported EBITDA.

Order book at ₹ 8,617 crore as of Q1FY21

ABL's order book (OB) was at ₹ 8,617 crore, implying OB-to-bill ratio of 2.4x TTM revenues. Of this, road projects comprise ₹ 6,923 crore, (HAM projects: ₹ 4,680 crore, EPC projects: ₹ 2,243 crore), power T&D ~₹ 769 crore, Railways ₹ 867 crore, CGD ₹ 59 crore. The company expects order intake of ₹ 4000-5000 crore in FY21, with expected inflows of ~₹ 3000-4000 crore in roads and ~₹ 1000-1200 crore in the railways segment. We bake in order inflow of ₹ 4000 crore each in FY21, FY22.

Execution back to 85% of pre-Covid levels

ABL is currently operating at 85% operating efficiency with ~90-95% of required workforce. Given monsoons in Q2, full capacity resumption could be only by Q3FY20, in our view. On the positive side, tolling has reached 90% of pre-Covid-19 level post resumption in April end and likely to improve, going forward. Standalone debt was at ₹ 238.5 crore, down ₹ 161 crore QoQ. On the execution front, the company expects at least flattish EPC revenues in FY21 (1.1x at best), banking on strong second half. Overall, we conservatively build in construction revenue growth at 4% CAGR to ₹ 4,248 crore in FY20-22E, with expectation of 10% revenue decline in FY21.

Asset monetisation update

Most importantly, Covid-led disruption has put monetisation plans of ACL's assets on hold with potential investor. However, ABL is in talks with other investors and expects a response by September. We continue to believe there could be a downward revision in valuations and/or prolonged delay in deal fructification, thereby allowing SBI-Macquarie exit overhang to persist.

Valuation & Outlook

We are impressed by ABL's continued improvement in leverage at standalone levels. However, the SBI-Macquarie stake exit remains the key overhang on the company. We believe asset monetisation will be key for rerating of EPC business multiples. We conservatively build in construction revenue growth at 4% CAGR to ₹ 4,248 crore in FY20-22E. We maintain **HOLD** re on the stock with an SoTP-based target price of ₹ 70.



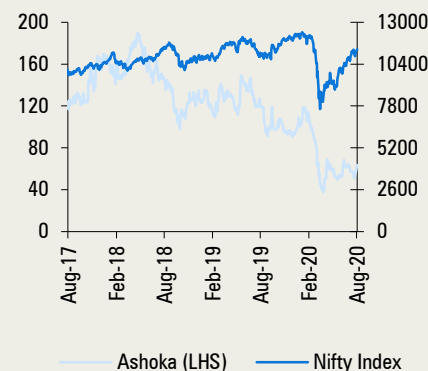
Particulars

Particular	Amount (₹crore)
Market Capitalization	1,844.4
Total Debt	5,580.7
Cash	505.9
EV	6,919.2
52 week H/L (₹)	151 / 37
Equity capital	140.4
Face value	₹5

Key Highlights

- Order book is at ₹ 8,617 crore as of Q1FY21, implying order book-to-bill ratio of 2.4x TTM revenues
- ABL expects at least flattish EPC revenues in FY21 (1.1x at best), banking on strong second half
- Maintain HOLD recommendation with SoTP-based target price of ₹ 70/share

Price Chart



Research Analyst

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Key Financial Summary

₹crore	FY18	FY19	FY20	FY21E	FY22E	CAGR FY20-22E
Net Sales	3601.0	4930.1	5070.5	4709.7	5532.1	4.5%
EBITDA	1139.5	1394.3	1575.2	1396.2	1595.8	0.7%
EBITDA Margin (%)	31.6	28.3	31.1	29.6	28.8	
PAT	-118.7	26.7	165.3	-86.5	118.2	-15.4%
EPS (₹)	-6.3	-1.8	8.8	-4.6	6.3	
P/E (x)	-10.4	-55.1	11.2	-21.3	15.6	
EV/EBITDA (x)	5.7	5.2	4.4	5.3	4.6	
RoNW (%)	-37.6	-11.7	40.0	-26.4	26.5	
RoCE (%)	11.5	13.9	15.1	12.9	14.8	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

Particulars	Q1FY21	Q1FY21E	Q1FY20	YoY (%)	Q4FY20	QoQ (%)	Comments
Income from Operations	572.4	549.9	876.8	-34.7	1,254.8	-54.4	
Other Income	48.3	30.0	34.2	41.2	34.6	39.7	
Operating Expenses	434.4	434.4	691.6	-37.2	906.3	-52.1	
Employee Expenses	40.8	38.5	43.1	-5.5	42.4	-3.9	
Other expenditure	15.4	33.0	32.6	-52.8	77.1	-80.0	
EBITDA	81.9	44.0	109.5	-25.2	228.9	-64.2	
EBITDA Margin(%)	14.3	8.0	12.5	182 bps	18.2	-395 bps	Margins beat on account of release of contingencies on account of project completion
Depreciation	22.3	29.0	26.6	-16.3	29.0	-23.2	
Interest	16.6	20.0	21.4	-22.3	20.9	-20.8	
PBT	91.3	25.0	95.7	-4.6	213.6	-57.2	
Taxes	23.2	6.9	31.0	-25.1	49.3	-52.9	
PAT	68.1	18.1	64.7	5.2	164.2	-58.6	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹Crore)	FY19	FY20	FY21E			FY22E			Comments
			Old	New	% Change	Old	New	% Change	
Revenue	4,930.1	5,070.5	4,709.7	4,709.7	0.0	5,532.1	5,532.1	0.0	Realign FY 21 estimates post Q1
EBITDA	1,394.3	1,575.2	1,396.2	1,396.2	0.0	1,595.8	1,595.8	0.0	
EBITDA Margin (%)	28.3	31.1	29.6	29.6	00 bps	28.8	28.8	00 bps	
PAT	-33.5	165.3	-106.3	-86.5	NA	118.2	118.2	0.0	
Diluted EPS (₹)	-1.8	5.9	-3.8	-3.1	NA	4.2	4.2	0.0	

Source: Company, ICICI Direct Research

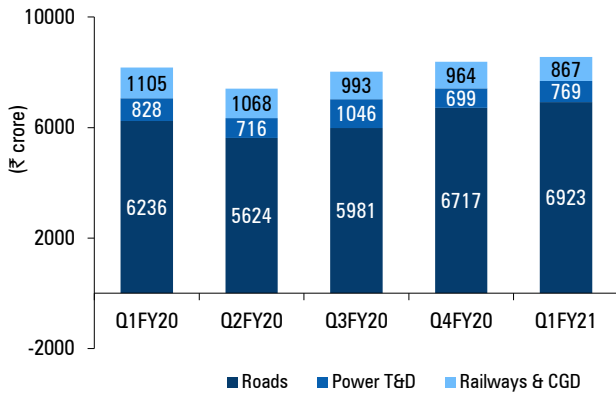
Exhibit 3: Assumptions

EPC	FY16	FY17	FY18	FY19	FY20	Current FY21E	Current FY22E	Earlier FY21E	Earlier FY22E	Comments
Order Inflow	2,822	3,926	4,358	6,300	3,922	4,000	4,000	4,000	4,000	
Order Backlog	4,111	7,005	5,849	8,394	8,379	9,434	9,186	9,434	9,186	

Source: Company, ICICI Direct Research

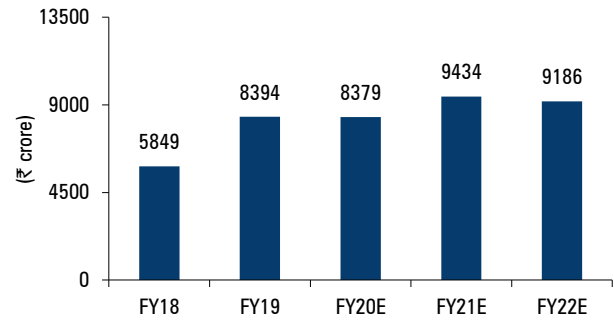
Company Analysis

Exhibit 4: Quarterly order book trend



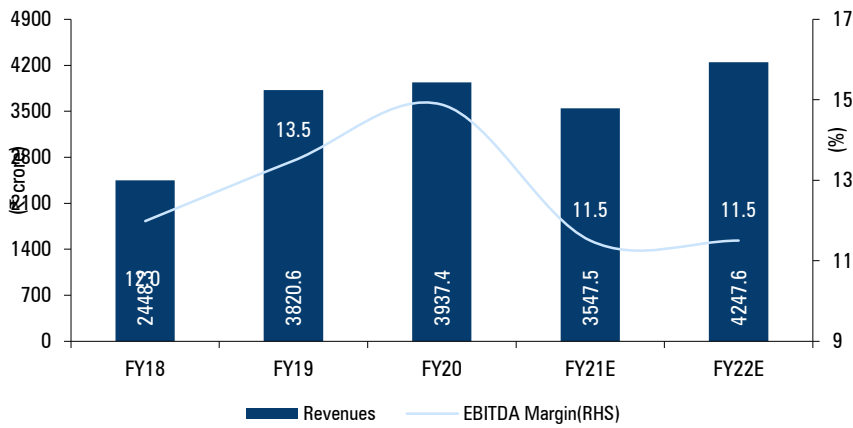
Source: Company, ICICI Direct Research

Exhibit 5: Annual order book trend



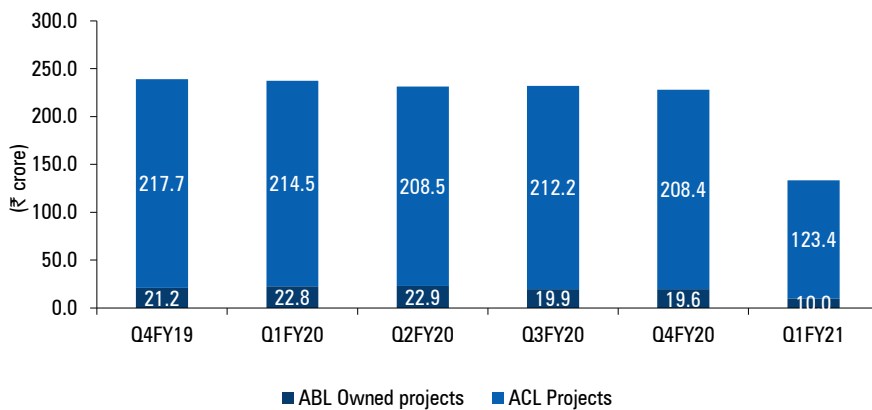
Source: Company, ICICI Direct Research

Exhibit 6: Annual EPC revenue and EBITDA margin trend



Source: Company, ICICI Direct Research

Exhibit 7: Gross toll collection trend



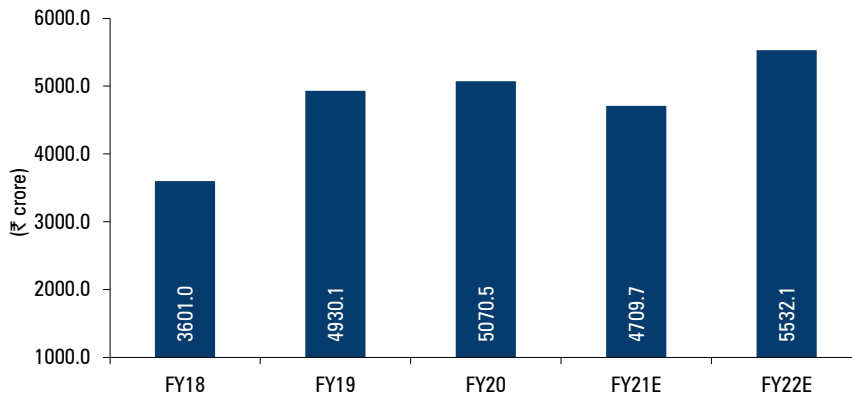
Source: Company, ICICI Direct Research

Exhibit 8: Quarterly gross toll collection trend

(₹ crore)	Q1FY21	Q4FY20	Q3FY20	Q2FY20	Q1FY20	YoY (%)	QoQ (%)
ABL Owned Projects							
Ahmednagar - Aurangabad	-	5.9	6.1	9.7	8.4		
Wainganga Bridge	4.9	7.5	7.4	7.2	7.7	-36.3%	-35.2%
Katni Bypass	4.7	5.2	5.4	5.0	6.0	-22.2%	-10.7%
Others #	0.4	0.9	1.0	1.1	0.8	-45.0%	-53.2%
Sub-total	10.0	19.6	19.9	22.9	22.8	-56.3%	-49.2%
Sub-total (like-to-like basis)	9.5	12.7	12.8	12.2	13.6	-30.1%	-25.2%
ACL Projects							
Belgaum Dharwad	11.8	22.6	23.4	21.3	23.7	-50.3%	-48.0%
Dhankuni – Kharagpur	53.6	87.9	90.6	91.5	90.5	-40.7%	-39.0%
Bhandara	11.7	18.2	18.0	16.8	17.4	-32.8%	-35.7%
Durg	13.1	20.1	20.0	19.0	19.8	-34.1%	-34.9%
Jaora – Nayagaon	22.5	42.4	43.9	43.2	46.0	-51.0%	-46.8%
Pimpalgaon – Nashik – Gonde	-	-	-	-	-		
Sambalpur	10.7	17.3	16.4	16.6	17.1	-37.4%	-37.9%
Sub-total	123.4	208.4	212.2	208.5	214.5	-42.5%	-40.8%
Sub-total (like-to-like basis)	123.4	208.4	212.2	208.5	214.5	-42.5%	-40.8%
Grand Total	133.4	228.0	232.1	231.4	237.3	-43.8%	-41.5%
(Grand total) like-to-like basis	133.0	221.2	225.0	220.7	228.2	-41.7%	-39.9%

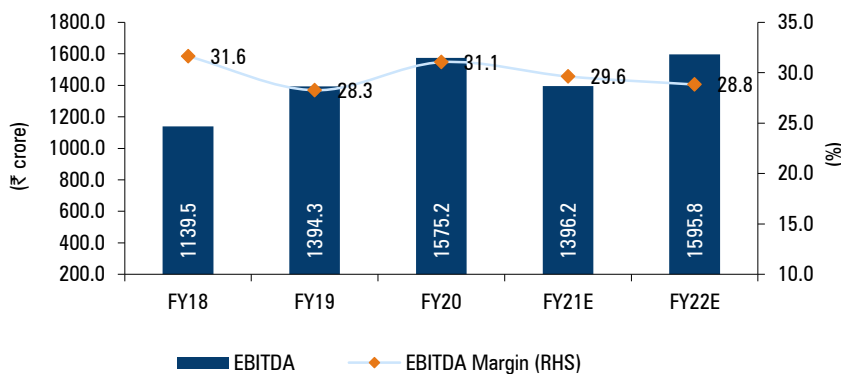
Source: ICICI Direct Research, Company

Exhibit 9: Consolidated revenue trend



Source: Company, ICICI Direct Research

Exhibit 10: Consolidated EBITDA margin trend



Source: Company, ICICI Direct Research

Valuation & Outlook

We are impressed by ABL's continued improvement in leverage at standalone levels. However, the SBI-Macquarie stake exit remains the key overhang on the company. We believe asset monetisation will be key for a rerating of EPC business multiples. We conservatively build in construction revenue growth at 4% CAGR to ₹ 4,248 crore in FY20-22E. We maintain **HOLD** recommendation on the stock with an SoTP-based target price of ₹ 70/share.

Exhibit 11: ABL valuation									
Project Name	Stake (%)	Length (km)	TPC (₹ crore)	Debt (₹ crore)	Equity (₹ crore)	Eq share (₹ crore)	CoE(%)	ABL Equity Value (₹)	Value/share (₹)
Ashoka Buildcon Limited (ABL) - BOT									
Katni Bypass	99.9	17.6	70.9	53.5	17.4	17.4	14.0	62.0	2.2
Nashirabad ROB	100.0	4.0	14.7	13.3	1.5	1.5	14.0	4.0	0.1
Dhule Bypass	99.9	6.0	5.8	5.2	0.6	0.6	14.0	8.4	0.3
Dewas Bypass	100.0	20.0	61.3	36.0	25.3	25.3	14.0	64.2	2.3
Indore Edalabad	99.7	203.0	165	101.5	63.5	63.3	14.0	450.2	16.0
Wainganga Bridge	50.0	13.0	40.9	35.0	5.9	3.0	14.0	91.7	3.3
FOB Eastern Expressway	100.0	NA	3.7	1.8	2.0	2.0	14.0	0.7	0.0
KSHIP	51.0	110.0	471.0	287.0	47.0	24.0	14.0	58.1	2.1
Total (ABL)-BOT (A)		373.6	833.3	533.2	163.1	136.9		739.3	26.3
EPC (B)	100.0		3.5x FY22E EV/EBITDA					1709.7	60.9
ACL stake valuation (C)	61.0				50% Holding company Discount			231.1	8.2
Less Standalone debt (D) - FY22								600.0	21.4
Total SoTP Valuation (A+B+C-D)								2080.1	74.1
Rounded off Target Price									70.0

Source: Company, ICICI Direct Research

Exhibit 12: ACL valuation									
Project Name	Stake (%)	Length (km)	TPC (₹crore)	Debt (₹crore)	Equity (₹crore)	ACL share (₹)	CoE(%)	ACL Equity Value	
Ashoka Concession Limited (ACL)									
Bhandara	51.0	82.6	528.0	354.5	173.5	60.0	14.0	-55.7	
Durg Chhattisgarh	51.0	71.1	630.5	410.0	220.5	100.2	14.0	54.7	
Jaora Nayagaon	46.2	85.1	865.1	554.5	310.6	69.0	14.0	616.3	
Belgaum Dharwad	100.0	82.0	694.1	479.0	185.0	185.0	14.0	320.9	
Sambalpur Baragarh	100.0	88.0	1142.2	810.0	332.2	332.2	14.0	-114.8	
Dankuni Kharagpur	100.0	11.6	2205.2	1516.2	689.0	689.0	14.0	923.1	
Chennai ORR	50.0	32.0	1450.0	1080.0	173.0	86.5	14.0	243.9	
ACL Valuation		452.4	7515.0	5204.2	2083.8	1521.8		1988.3	
SBI-Macquarie payout									1526
ACL stake (%)									61.0
Residual ACL stake value									462.3

Source: Company, ICICI Direct Research

Financial summary

Exhibit 13: Profit and loss statement				
	₹ crore			
(₹Crore)	FY19	FY20	FY21E	FY22E
Net Sales	4930.1	5070.5	4709.7	5532.1
Other income	77.1	81.7	91.1	98.8
Total Revenue	5007.2	5152.2	4800.8	5630.9
Raw Material Expense	155.9	181.6	196.8	278.9
Operating Expenditure	1683.3	1861.1	1762.1	2066.7
Cost of materials sold	1508.3	1159.4	1076.9	1264.9
Employee benefit expenses	188.4	293.3	277.7	325.7
Total Operating Expenditure	3535.8	3495.3	3313.5	3936.3
EBITDA	1394.3	1575.2	1396.2	1595.8
Interest	1021.3	1042.6	1034.2	1047.6
Depreciation	258.2	299.8	337.2	419.8
Other income	77.1	81.7	91.1	98.8
PBT	131.7	314.6	115.9	227.2
Taxes	170.9	165.9	223.5	144.0
PAT before MI	-39.2	148.7	-107.6	83.2
Minority Interest	-6.8	-5.0	0.0	0.0
Share of Profit from Associate	-1.0	11.7	21.1	35.0
PAT	-33.5	165.3	-86.5	118.2
Adjusted EPS (Diluted)	-6.3	-1.8	8.8	-4.6

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(₹Crore)	FY19	FY20	FY21E	FY22E
Profit after Tax	(33.5)	165.3	(86.5)	118.2
Depreciation	258.2	299.8	337.2	419.8
Interest	1,021.3	1,042.6	1,034.2	1,047.6
Others	(154.2)	(163.5)	(182.2)	(197.5)
Cash Flow before w/c chang	1,339.9	1,591.8	1,417.3	1,630.9
Changes in WC	(1,402.0)	(109.7)	(429.2)	(294.8)
Taxes Paid	(170.9)	(166.6)	(223.5)	(144.0)
Net CF from operating act	(233.0)	1,315.5	764.6	1,192.0
(Purchase)/Sale of Fixed Assets	(268.9)	(143.9)	(68.9)	(126.6)
Change in Others - Premium f	66.7	49.7	(325.0)	(231.5)
Net CF from Investing acti	(95.7)	(24.3)	(302.8)	(259.4)
Increase/Decrease in NW	4.4	(38.5)	-	-
Increase/Decrease in Debt	802.3	80.4	229.6	(331.6)
Interest Paid	(1,021.3)	(1,042.6)	(1,034.2)	(1,047.6)
Change in Minority Interest	25.3	9.0	106.8	158.2
Net CF from Financing act	(189.3)	(991.7)	(697.9)	(1,221.0)
Net Cash flow	(518.1)	299.6	(236.1)	(288.3)
Opening Cash	253.2	234.2	754.4	518.3
Closing Cash/Cash Equiv	234.2	754.4	518.3	229.9

Source: Company, ICICI Direct Research

Exhibit 15: Balance sheet				
	₹ crore			
(₹Crore)	FY19	FY20	FY21E	FY22E
Liabilities				
Equity Capital	140.4	140.4	140.4	140.4
Reserve and Surplus	146.5	273.3	186.8	305.0
Total Shareholders funds	286.9	413.7	327.1	445.4
Minority Interest	119.0	128.0	234.8	393.0
Total Debt	5,735.8	5,816.2	6,045.8	5,714.1
Deferred Tax Liability	0.7	-	-	-
Other- NHA1 Premium Payab	2,558.3	2,608.0	2,283.0	2,051.4
Total Liabilities	9,195	10,182	10,498	10,423
Assets				
Gross Block	9,621.0	9,569.2	9,375.4	9,405.3
Less Acc. Dep	1,731.0	1,793.1	1,867.7	2,190.8
Net Block	7,890.0	7,776.0	7,507.7	7,214.5
Capital WIP	41.9	-	-	-
Total Fixed Assets	7,931.9	7,776.0	7,507.7	7,214.5
Investments	283.5	185.8	185.8	185.8
Inventory	426.5	434.8	407.4	478.5
Sundry Debtors	1,316.4	1,083.0	1,177.4	1,383.0
Loans & Advances	244.8	257.5	1,224.5	1,438.3
Cash & Bank Balances	234.2	754.4	518.3	229.9
Other Current Assets	212.2	413.3	202.7	238.1
Total Current Assets	2,434.1	2,942.9	3,530.3	3,767.9
Other Current Liabilities	3,398.7	3,460.3	3,246.8	3,813.7
Provisions	835.3	888.2	888.2	888.2
Net Current Assets	(1,800.0)	(1,405.6)	(604.6)	(933.9)
Total Assets	9,195	10,182	10,498	10,423

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
	FY19	FY20	FY21E	FY22E
Per Share Data (₹)				
EPS - Diluted	(1.8)	8.8	(4.6)	6.3
Cash EPS	8.0	16.6	8.9	19.2
Book Value	15.3	22.1	17.5	23.8
Operating Ratios (%)				
EBITDA / Net Sales	28.3	31.1	29.6	28.8
PAT / Net Sales	0.5	3.3	(1.8)	2.1
Inventory Days	31.6	31.3	31.6	31.6
Debtor Days	97.5	78.0	91.3	91.3
Return Ratios (%)				
RoNW	(11.7)	40.0	(26.4)	26.5
RoCE	13.9	15.1	12.9	14.8
RoIC	14.2	16.3	13.2	15.0
Valuation Ratios (x)				
EV / EBITDA	5.2	4.4	5.3	4.6
P/E (Diluted)	NA	NA	NA	10.4
EV / Net Sales	1.5	1.4	1.6	1.3
Market Cap / Sales	0.4	0.4	0.4	0.3
Price to Book Value (Dilut)	4.3	3.0	3.8	2.8
Solvency Ratios (x)				
Net Debt / Equity	18.8	12.2	16.9	12.3
Debt / EBITDA	4.1	3.7	4.3	3.6
Current Ratio	1.0	0.9	1.2	1.2
Quick Ratio	0.8	0.7	1.0	1.0

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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