

# Ashoka Buildcon

## Monetisation triggers

Ashoka Buildcon (ASBL) reported APAT at Rs 1bn (+28%/+52% YoY/QoQ), beating our estimates by 45% on better-than-expected execution. Labour availability has improved to pre-COVID level, with sites working at 100% efficiency. Toll collections have also reached to pre-COVID level. ASBL won orders worth Rs 14bn during the quarter, taking the order book to Rs 93bn. Low net D/E of 0.04x and comfortable liquidity insulate ABL from COVID-19 headwinds. We maintain **BUY** on Ashoka Buildcon (ASBL) with an unchanged target price of Rs 141/sh. Potential monetisation of HAM/BOT assets and diversification of the order book could be positive triggers for the stock.

- **Better-than-expected execution leads to earnings beat:** ASBL reported revenue at Rs 8.8bn (+7%/+53% YoY/QoQ), 26% ahead of our estimates. EBITDA margin was slightly higher on positive impact from the release of contingency reserves by three SPVs nearing project completion. Management expects margins to sustain at 12-13%. Finance cost came in at Rs 197mn, -15%/+19% YoY/QoQ. Consequently, APAT came in at Rs 1bn, +28%/+52% YoY/QoQ, 45% ahead of our estimate. With the availability of labour improving to pre-COVID level, ASBL expects flattish revenue growth YoY. We remain cautious and build in a 6% decline in standalone revenue.
- **Order book at Rs 93bn; diversification work-in-progress:** Ashoka won two road EPC orders of worth Rs 14bn, taking order book to Rs 93bn (~2.4x FY20 revenue). While Roads segment continues to dominate the order book with 81% share, Power T&D and Railways constitute 10% and 8% respectively. The company has been bidding for water projects and will start bidding in buildings segment. However, ASBL has found little success in diversifying its order book. ASBL is looking to win additional Rs 30-40bn of orders in 2HFY21. The company has received financial closure (FC) and appointment date (AD) for the Kandi project. TS-III and TS-IV are likely to receive FC in a month and AD in Dec-20 and Feb-21 respectively. Management expects to receive AD for the two orders won in 2QFY21 in a week. Hence, all these five projects would start contributing to the topline by FY21-end.
- **Liquidity position comfortable:** Consolidated gross/net debt stood at Rs 56/52bn, while standalone gross/net debt stood at Rs 2.2/1.2bn (0.04x net D/E). Management expects standalone debt to increase by Rs 2.5bn for the working capital requirement. Monetisation plans for company's HAM and BOT assets are in progress. The company expects to receive a binding agreement by Dec 20-end. As of now, the target is to give Macquarie an exit. However, ASBL could also divest the stake if there is interest and good valuation from the buyer, basis management commentary.

### Financial summary

YE March (Rs mn)	Standalone					Consolidated			
	2QFY21	2QFY20	YoY (%)	1QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	8,775	8,223	6.7	5,724	53.3	50,705	46,774	52,787	60,811
EBITDA	1,309	1,229	6.5	819	60.0	15,752	13,635	14,016	16,145
APAT	1,047	816	28.3	691	51.6	1,653	(494)	(545)	696
Diluted EPS (Rs)	3.7	2.9	28.3	2.5	51.6	5.9	(1.8)	(1.9)	2.5
P/E (x)						11.7	(39.2)	(35.5)	27.8
EV / EBITDA (x)						4.4	6.4	6.4	5.8
RoE (%)						8.9	(2.6)	(3.1)	4.1

Source: Company, HSIE Research

**BUY**

CMP (as on 12 Nov 2020)	Rs 69
Target Price	Rs 141
NIFTY	12,691

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

### KEY STOCK DATA

Bloomberg code	ASBL IN
No. of Shares (mn)	281
MCap (Rs bn) / (\$ mn)	19/261
6m avg traded value (Rs mn)	112
52 Week high / low	Rs 122/37

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	14.7	23.2	(27.1)
Relative (%)	1.7	(15.0)	(34.6)

### SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	54.48	54.48
FIs & Local MFs	29.63	27.35
FPIs	3.71	3.20
Public & Others	12.18	14.97
Pledged Shares	-	-

Source : BSE

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