

Ashoka Buildcon

Estimate change



TP change



Rating change



Bloomberg	ASBL IN
Equity Shares (m)	281
M.Cap.(INRb)/(USDb)	29.3 / 0.4
52-Week Range (INR)	117 / 37
1, 6, 12 Rel. Per (%)	5/45/-33
12M Avg Val (INR M)	120

Financials & Valuations (INR b)

Y/E Mar	2020	2021E	2022E
Sales	39.4	37.8	43.4
EBITDA	5.9	4.9	5.2
PAT	3.9	3.7	3.1
EBITDA (%)	14.9	13.1	12.0
EPS (INR)	13.8	13.2	11.2
EPS Gr. (%)	20.2	(4.6)	(15.0)
BV/Sh. (INR)	92.6	104.4	114.5

Ratios

Net D/E	0.1	0.2	0.2
RoE (%)	16.1	13.4	10.2
RoCE (%)	14.0	12.4	9.9
Payout (%)	0.0	10.0	10.0

Valuations

P/E (x)	7.6	7.9	9.3
P/BV (x)	1.1	1.0	0.9
EV/EBITDA (x)	5.6	7.3	6.6
Div Yield (%)	-	1.3	1.1
FCF Yield (%)	23.3	5.6	6.7

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	54.5	54.5	54.3
DII	27.6	27.4	32.8
FII	3.2	3.2	3.7
Others	14.6	15.0	9.2

FII Includes depository receipts

CMP: INR104

TP: INR145 (+38%)

Buy

Execution in line; healthy order book visibility augurs well

Labor availability and execution back to pre-COVID levels

- ASBL's 3QFY21 revenue came in flat YoY, in line with our estimate. Revenue would have been higher as execution of three projects was delayed and shifted to 4QFY21. EBITDA stood 15% below our estimate as an adverse revenue mix led to 180bp YoY decline in EBITDA margin (120bp below our expectation). As a result of lower depreciation and interest cost, coupled with higher other income, adjusted PAT stood flat YoY at INR856m and was 19% above our estimate.
- ASBL received a large EPC order worth INR5b in the solar segment. Execution will be completed in 3-4 years, with EBITDA margin expected to be in 10-11% range. Order book stood strong at INR91.5b, up 13% YoY, with an OB-to-revenue ratio at 2.6x.
- Strong execution over the past two years is commendable. However, the pending PE exit in the asset portfolio is an overhang on the stock. We have increased our FY21E EPS by 7% on higher other income. Strong order book and continuous improvement in the Balance Sheet augurs well for ASBL. Maintain **Buy** with a revised TP of INR145/share (v/s INR125/share earlier).

Adverse revenue mix affects operating profit

- 3QFY21 revenue was flat YoY at INR9.8b, in line with our estimate. EBITDA came in at INR1.1b, down 15% YoY (12% below our expectation). EBITDA margin stood at 10.8% (-180bp YoY) due to an adverse mix of projects executed. PBT was flat YoY at INR1.1b, owing to lower depreciation and interest cost and higher other income. Adjusted PAT stood at INR856m, flat YoY (19% above our estimate).

Highlights from the management commentary

- EBITDA margin is expected to be ~11-11.5% based on the current order book and the relevant inflation rate factored in.
- On asset monetization, the management said substantial diligence is over and ASBL has received binding offers from potential investors. It expects negotiations to close in a couple of weeks and closure of documents by Mar'21 end. A large part of the monetization proceeds will be utilized to grow the EPC business.
- ASBL is targeting INR50-60b worth of order inflows in FY22.

Valuation and view

- ASBL's strong execution over the past two years has been a surprise. However, the pending exit of the private equity investor in asset portfolio is an overhang on the stock. We have increased our FY21E EPS by 7% on account of higher other income.
- Strong order book and continuous improvement in the Balance Sheet augurs well for ASBL. Our TP of INR145/share (v/s INR125/share earlier) is based on the SoTP methodology. We value the: a) EPC business at 6x Mar'23E EPS, and b) BOT business on a NPV basis. At the CMP, adjusted for the valuation of the BOT business, the stock is trading at FY22E/FY23E P/E of 4.4x/3.6x. Maintain **Buy**.

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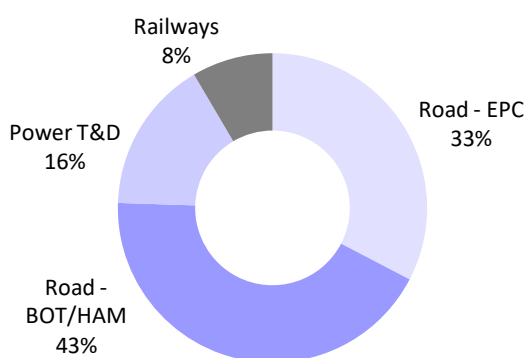
Quarterly performance

(INR m)

Y/E March	FY20				FY21				FY20	FY21E	3QFY21E	Var. %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	8,768	8,223	9,836	12,548	5,724	8,775	9,807	13,483	39,374	37,789	10,000	-1.9
YoY Change (%)	30.4	7.6	-7.7	-4.0	-34.7	6.7	-0.3	7.5	3.4	-4.0	1.7	
EBITDA	1,095	1,229	1,243	2,289	819	1,309	1,055	1,753	5,856	4,936	1,200	-12.1
Margin (%)	12.5	14.9	12.6	18.2	14.3	14.9	10.8	13.0	14.9	13.1	12.0	
Depreciation	266	271	283	290	223	218	216	252	1,111	908	220	
Interest	214	231	200	209	166	197	183	248	855	794	220	
Other Income	342	392	369	346	483	498	473	246	1,449	1,701	200	
PBT	957	1,118	1,129	2,136	913	1,393	1,129	1,499	5,340	4,934	960	17.6
Tax	310	391	274	493	222	346	272	401	1,468	1,242	242	
Rate (%)	32.4	35.0	24.2	23.1	24.4	24.8	24.1	26.8	27.5	25.2	25.2	
Reported PAT	647	727	855	1,642	691	1,047	856	1,098	3,871	3,692	718	19.3
Adj. PAT	647	727	855	1,642	691	1,047	856	1,098	3,871	3,692	718	19.3
YoY Change (%)	22.8	17.1	-16.1	56.0	6.8	44.0	0.1	-33.1	20.2	-4.6	-16.1	
Margin (%)	7.4	8.8	8.7	13.1	12.1	11.9	8.7	8.1	9.8	9.8	7.2	

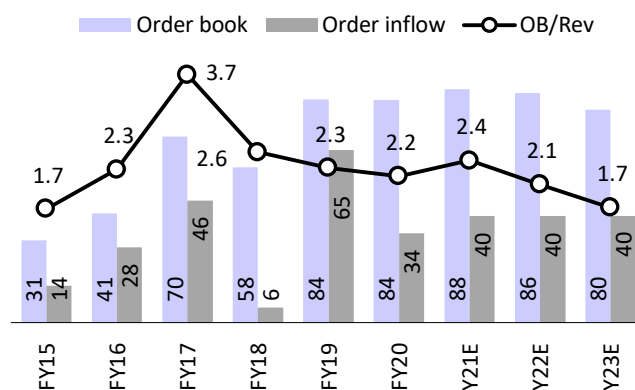
Story in charts

Exhibit 1: Order book break-up (INR91.5b; OB-to-revenue ratio at 2.6x)



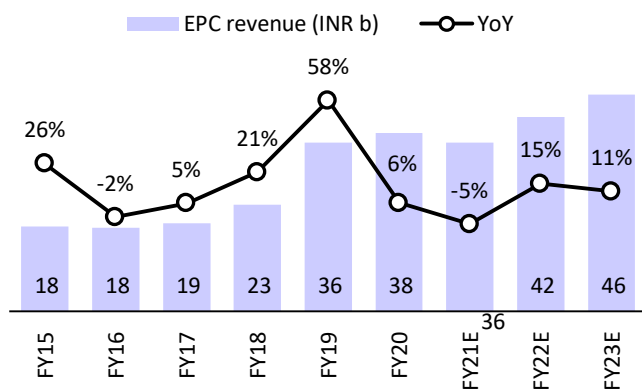
Source: MOFSL, Company

Exhibit 2: Order book and order inflow trend (INR b)



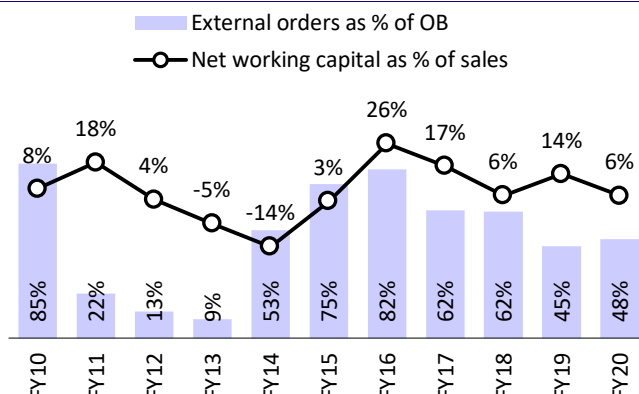
Source: MOFSL, Company

Exhibit 3: Expect 13% CAGR in EPC revenue over FY21-23E



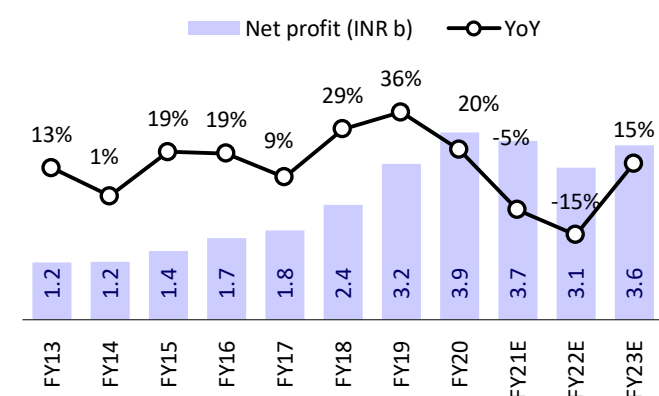
Source: MOFSL, Company

Exhibit 4: Net WC to remain under control given the decline in proportion of external orders from the peak of FY16



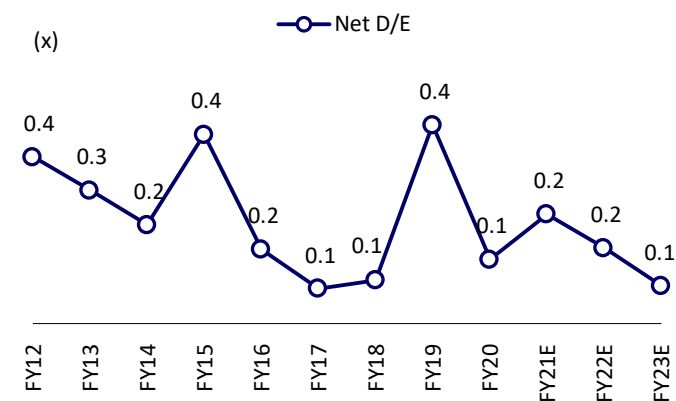
Source: MOFSL, Company

Exhibit 5: Standalone earnings to remain flat over FY21-23E



Source: MOFSL, Company

Exhibit 6: Standalone leverage to remain under control



Source: MOFSL, Company

Valuation and view

- **Robust order book provides strong visibility on EPC revenue:** The current order book remains strong at INR91.5b. Book-to-bill ratio has further improved to 2.6x, indicating strong revenue visibility for more than two years.
- **Strong Balance Sheet augurs well for the company:** In FY20, net debt-to-equity at the standalone level stood at 0.1x. ASBL is well placed to fund its equity commitment. We expect net debt to remain at 0.2x/0.1x for FY22E/FY23E, making it one of the strongest road players in the sector.
- **Favorable valuation:** Adjusting for the valuation of its BOT assets, the stock is trading at FY21E/FY22E P/E of 4.4x/3.6x. While the pending exit of the private equity investor in the asset business is an overhang on the stock, it provides an attractive entry point.
- **Maintain Buy:** We have increased our FY21E EPS by 7% on higher other income. Strong order book and continuous improvement in the Balance Sheet augurs well for ASBL. Our TP of INR145/share (v/s INR125/share earlier) is based on the SoTP methodology. We value the: **a)** EPC business at 6x Mar'23E EPS, and **b)** BOT business on a NPV basis. At the CMP, adjusted for the valuation of the BOT business, the stock is trading at FY22E/FY23E P/E of 4.4x/3.6x. Maintain **Buy**.

Financials and valuations

Income Statement						(INR m)
Y/E March	FY18	FY19	FY20	FY21E	FY22E	FY23E
Total Revenue	24,463	38,094	39,374	37,789	43,435	48,320
Change (%)	19.2	55.7	3.4	-4.0	14.9	11.2
EBITDA	2,934	5,040	5,856	4,936	5,227	5,819
Margin (%)	12.0	13.2	14.9	13.1	12.0	12.0
Depreciation	532	763	1,111	908	1,018	1,183
EBIT	2,402	4,277	4,745	4,028	4,208	4,636
Interest	485	907	855	794	881	794
Other income	978	1,157	1,449	1,701	869	966
Exceptional items	0	-358	0	0	0	0
PBT	2,894	4,169	5,340	4,934	4,196	4,808
Tax	524	1,307	1,468	1,242	1,056	1,210
Rate (%)	18.1	31.4	27.5	25.2	25.2	25.2
Reported PAT	2,370	2,862	3,871	3,692	3,140	3,598
Adjusted PAT	2,370	3,220	3,871	3,692	3,140	3,598
Change (%)	28.8	35.8	20.2	-4.6	-15.0	14.6
Margin (%)	9.7	8.5	9.8	9.8	7.2	7.4

Balance Sheet						(INR m)
Y/E March	FY18	FY19	FY20	FY21E	FY22E	FY23E
Share Capital	936	1,404	1,404	1,404	1,404	1,404
Reserves	18,327	20,717	24,586	27,909	30,735	33,972
Net Worth	19,263	22,120	25,989	29,312	32,138	35,376
Loans	2,991	9,782	6,409	7,409	7,909	5,909
Deferred Tax Liability	-349	-518	-475	-475	-475	-475
Capital Employed	21,905	31,384	31,923	36,246	39,572	40,810
Gross Fixed Assets	4,861	7,206	8,009	8,509	10,009	11,509
Less: Depreciation	2,687	3,407	4,518	5,427	6,445	7,629
Net Fixed Assets	2,174	3,799	3,491	3,082	3,564	3,880
Capital WIP	150	55	95	95	95	95
Investments	13,182	12,831	13,224	18,657	18,657	18,657
Curr. Assets	23,414	35,883	35,835	34,335	40,021	43,401
Inventory	1,459	1,527	1,534	1,472	1,692	1,882
Debtors	10,117	15,513	14,440	15,530	17,850	19,858
Cash and Bank Balance	1,235	550	2,911	668	2,797	3,100
Loans and Advances	4,035	8,927	9,866	9,866	9,867	9,867
Other Assets	6,568	9,366	7,084	6,799	7,815	8,694
Current Liab. and Prov.	17,015	21,183	20,721	19,923	22,765	25,224
Current Liabilities	16,411	20,484	19,818	19,021	21,862	24,321
Provisions	604	700	903	903	903	903
Net Current Assets	6,399	14,699	15,114	14,411	17,256	18,177
Application of Funds	21,905	31,384	31,923	36,246	39,572	40,810

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21E	FY22E	FY23E
Basic (INR)						
Adj. EPS	8.4	11.5	13.8	13.2	11.2	12.8
Cash EPS	10.3	14.2	17.7	16.4	14.8	17.0
Book Value	68.6	78.8	92.6	104.4	114.5	126.0
DPS	1.0	1.0	0.0	1.3	1.1	1.3
Payout (incl. Div. Tax.)	13.8	11.4	0.0	10.0	10.0	10.0
Valuation (x)						
P/E	12.4	9.1	7.6	7.9	9.3	8.1
Price/Book Value	1.5	1.3	1.1	1.0	0.9	0.8
EV/EBITDA	10.6	7.6	5.6	7.3	6.6	5.5
Dividend Yield (%)	1.0	1.0	0.0	1.3	1.1	1.2
FCF per share	12.6	-5.6	24.3	5.9	7.0	8.9
Return Ratios (%)						
RoE	13.0	15.6	16.1	13.4	10.2	10.7
RoCE	12.9	13.8	14.0	12.4	9.9	10.3
ROIC	28.2	23.2	20.5	18.5	18.1	18.8
Working Capital Ratios						
Fixed Asset Turnover (x)	5.0	5.3	4.9	4.4	4.3	4.2
Total Asset Turnover (x)	1.1	1.2	1.2	1.0	1.1	1.2
Inventory (Days)	22	15	14	14	14	14
Debtors (Days)	151	149	134	150	150	150
Leverage Ratio						
Current Ratio	1.4	1.7	1.7	1.7	1.8	1.7
Interest Coverage Ratio	4.9	4.7	5.6	5.1	4.8	5.8
Net Debt/Equity (x)	0.1	0.4	0.1	0.2	0.2	0.1

Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21E	FY22E	FY23E
PBT before EO Items	2,894	4,169	5,340	4,934	4,196	4,808
Depreciation	532	763	1,111	908	1,018	1,183
Interest and other charges	6	92	-437	794	881	794
Direct Taxes Paid	-789	-1,176	-1,414	-1,242	-1,056	-1,210
(Inc.)/Dec. in WC	2,415	-4,454	2,069	-1,541	-715	-619
Others	-74	682	743	-1,701	-869	-966
CF from Operations	4,985	75	7,413	2,154	3,456	3,991
(Inc.)/Dec. in FA	-1,446	-1,639	-579	-500	-1,500	-1,500
Free Cash Flow	3,538	-1,564	6,833	1,654	1,956	2,491
(Pur.)/Sale of Investments	-2,547	-4,050	-435	-5,434	0	0
Others	633	235	438	1,701	869	966
CF from Investments	-3,360	-5,455	-576	-4,233	-631	-534
(Inc.)/Dec. in Debt	386	5,660	-3,612	1,000	500	-2,000
Interest Paid	-389	-778	-750	-794	-881	-794
Dividend Paid	-181	-150	0	-369	-314	-360
Others	-845	-37	-114	0	0	0
CF from Fin. Activity	-1,028	4,695	-4,475	-164	-695	-3,154
Inc./Dec. in Cash	596	-685	2,361	-2,243	2,130	303
Add: Beginning Balance	638	1,234	550	2,911	667	2,797
Closing Balance	1,234	550	2,911	667	2,797	3,100

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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