

June 22, 2021

Q4FY21 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	160		160	
Sales (Rs. m)	55,873	59,546	55,485	59,009
% Chng.	0.7	0.9		
EBITDA (Rs. m)	16,762	17,864	16,645	17,703
% Chng.	0.7	0.9		
EPS (Rs.)	9.5	10.0	8.2	8.5
% Chng.	16.4	17.6		

Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	50,705	46,365	55,873	59,546
EBITDA (Rs. m)	15,752	11,803	16,762	17,864
Margin (%)	31.1	25.5	30.0	30.0
PAT (Rs. m)	1,604	(817)	2,669	2,811
EPS (Rs.)	5.7	(2.9)	9.5	10.0
Gr. (%)	709.5	(150.9)	(426.7)	5.3
DPS (Rs.)	-	1.0	1.0	1.0
Yield (%)	-	1.0	1.0	1.0
RoE (%)	45.7	(15.8)	36.1	28.5
RoCE (%)	19.6	13.4	19.0	18.4
EV/Sales (x)	1.6	1.8	1.6	1.5
EV/EBITDA (x)	5.2	7.0	5.3	5.2
PE (x)	17.1	(33.6)	10.3	9.8
P/BV (x)	6.6	4.4	3.2	2.5

Key Data

ABDL.BO | ASBL IN

52-W High / Low	Rs.119 / Rs.50
Sensex / Nifty	52,589 / 15,773
Market Cap	Rs.27bn/ \$ 369m
Shares Outstanding	281m
3M Avg. Daily Value	Rs.398.46m

Shareholding Pattern (%)

Promoter's	54.48
Foreign	3.97
Domestic Institution	27.43
Public & Others	14.12
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	11.9	15.6	43.0
Relative	7.6	1.1	(5.0)

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Asset monetization remains an overhang

Quick Pointers:

- OB as at 4Q was Rs81.7bn (2.1x TTM revenues) excluding Rs19.5bn orders bagged post Mar'21; incremental orders of Rs40-50bn targeted in FY22.
- Operational efficiency fell to ~70% levels in Apr-May'21 (during second wave of Covid), now bounced back to 90-95% pre-covid levels.
- Due diligence for monetization (SBI Macquarie stake sale) is in advanced stage by potential investors; expect SPA to be signed by Q2/Q3 FY22E.

ASBL's 4Q performance was healthy with revenues and margins coming above our estimates. Amidst the second wave of Covid, execution was impacted as labour availability and operational efficiency fell to ~70% levels. However, with easing of restrictions and declining cases, operational efficiency bounced back to ~90-95% levels. On the back of healthy order inflows, massive bid pipeline, execution picking up with sharp bounce-back in labour availability, management expects limited impact of second wave on full year FY22 revenues and accordingly retained their earlier guidance of 20-25% YoY growth in construction revenues in FY22. Delays in conclusion of SBI Macquarie stake sale deal (now expected by 2Q/3QFY22) continues to remain as a major overhang on the stock.

We remain positive on the company given a) its excellent blend of diversified EPC orders and Asset ownership (in 23 Road assets and 3 City Gas Distribution assets), b) stable EPC margins and c) healthy order book (Rs81.7bn as at 4QFY21) and foray into new verticals- Railways (7% of order book) and smart cities. We have raised our FY22/23 earnings estimates by 16.4%, 17.6% on the back of lower depreciation and higher other income estimates. At the CMP, the stock trades at an EV of 5.3x/ 5.2x FY22E/ FY23E EBITDA. We maintain 'BUY' rating on the stock with a SoTP based TP of Rs160 (Same as earlier).

Strong execution with sustained EBITDA margins: In 4Q, ASBL's revenues grew 10.5% to Rs13.9bn (beating our estimates of Rs12.7bn) with healthy pickup in execution across project sites. EBITDA fell 12.1% YoY to Rs2,012mn as EBITDAM softened 374bps YoY to 14.5% (above our & street estimates of 14.2%/ 11.6%) due to higher base. On the bottom line front, Adj. PAT came in at Rs1,492mn (above PLe Rs1,324mn) on the back of better margins, higher other income at Rs466mn (PLe Rs380mn) and lower depreciation.

Healthy Order book; Strong Order inflows: As at 4QFY21, ASBL's order book stands at Rs81.7bn (excluding Rs19.5bn orders received post Mar'21), translating to an order book-to-sales ratio of 2.1x trailing revenues. Order book mix stands at: 43% Roads-HAM segment, 33% Road-EPC, 17% Power projects and 7% in Railways. On the back of robust bid pipeline, management targets incremental order inflows of Rs40-50bn in FY22E. Company's gross standalone debt has gone up marginally to Rs3.6bn from Rs3.5bn sequentially against which it holds cash and cash equivalents of ~Rs1bn.

Exhibit 1: Quarterly Financials (Standalone): Healthy execution with sustained margins drove profits above estimates

Y/e March (Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	YoY gr (%)	QoQ gr. (%)	FY21	FY20	YoY gr. (%)
Revenue	12,548	5,724	8,775	9,807	13,870	10.5	41.4	37,001	39,374	(6.0)
Total Revenues	12,548	5,724	8,775	9,807	13,870	10.5	41.4	37,001	39,374	(6.0)
Expenditure	10,258	4,905	7,465	8,752	11,857	15.6	35.5	32,012	33,518	(4.5)
<i>as % of sales</i>	<i>81.8</i>	<i>85.7</i>	<i>85.1</i>	<i>89.2</i>	<i>85.5</i>			<i>86.5</i>	<i>85.1</i>	
Raw Material Expenses	9,063	4,344	6,336	8,069	11,042	21.8	36.8	28,306	29,975	(5.6)
<i>as % of sales</i>	<i>72.2</i>	<i>75.9</i>	<i>72.2</i>	<i>82.3</i>	<i>79.6</i>			<i>76.5</i>	<i>76.1</i>	
Employee Cost	424	408	435	437	405	(4.5)	(7.3)	1,856	1,820	2.0
<i>as % of sales</i>	<i>3.4</i>	<i>7.1</i>	<i>5.0</i>	<i>4.5</i>	<i>2.9</i>			<i>5.0</i>	<i>4.6</i>	
Other expenditure	771	154	694	246	411	(46.7)	67.0	1,850	1,723	7.4
<i>as % of sales</i>	<i>6.1</i>	<i>2.7</i>	<i>7.9</i>	<i>2.5</i>	<i>3.0</i>			<i>5.0</i>	<i>4.4</i>	
EBITDA	2,289	819	1,309	1,055	2,012	(12.1)	90.7	4,989	5,856	(14.8)
Depreciation	290	223	218	216	216	(25.7)	(0.1)	872	1,111	(21.5)
EBIT	1,999	596	1,092	839	1,796	(10.1)	114.0	4,117	4,745	(13.2)
Other Income	346	483	498	473	466	34.8	(1.4)	1,921	1,449	32.5
Interest	209	166	197	183	225	7.6	22.9	772	855	(9.7)
PBT	2,136	913	1,393	1,129	2,037	(4.6)	80.5	5,266	5,340	(1.4)
Total Tax	493	222	346	272	546	10.6	100.4	1,387	1,468	(5.6)
Adjusted PAT	1,642	691	1,047	856	1,492	(9.2)	74.2	3,879	3,871	0.2
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0	0.0	0.0	0	0	0.0
PAT after MI	1,642	691	1,047	856	1,492	(9.2)	74.2	3,879	3,871	0.2
Extra ordinary items	0	0	0	0	0	0.0	0.0	0	0	0.0
Reported PAT	1,642	691	1,047	856	1,492	(9.2)	74.2	3,879	3,871	0.2
Adjusted EPS	5.9	2.5	3.7	3.1	5.3	(9.2)	74.2	14.6	20.7	(29.6)
Margins (%)						bps	bps			bps
EBIDTA	18.2	14.3	14.9	10.8	14.5	-374	375	13.5	14.9	-139
EBIT	15.9	10.4	12.4	8.6	13.0	-298	439	11.1	12.1	-93
EBT	17.0	16.0	15.9	11.5	14.7	-233	318	14.2	13.6	67
PAT	13.1	12.1	11.9	8.7	10.8	-233	202	10.5	9.8	65
Effective Tax rate	23.1	24.4	24.8	24.1	26.8	369	266	26.3	27.5	-117

Source: Company, PL

Exhibit 2: Key Assumptions

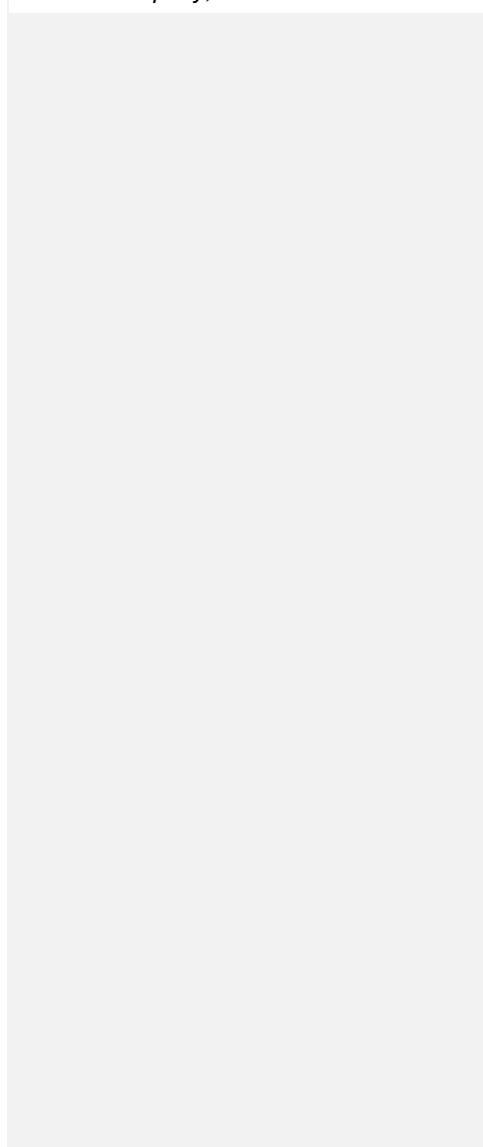
Rs mn	FY18	FY19	FY20	FY21	FY22E	FY23E
Order inflow	24,450	74,754	50,705	47,646	72,206	73,266
Revenues	24,463	38,206	39,374	38,175	45,816	48,237
Order book	58,487	83,940	83,940	81,669	98,003	1,11,723
Execution cycle (%)	38%	54%	47%	46%	51%	46%
OB to sales (x)	2.4	2.2	2.1	2.1	2.1	2.3

Source: Company, PL

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	3,034	10	30,341	108	67.5	P/E multiple of 8x FY23 earnings
Total				30,341	108	67.5	
Ashoka Concession Road BOT projects							
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	1.6	NPV at CoE of 14%
Total				1,097	4	2.4	
ACL Road BOT Projects							
Bhandara	Toll	2,847	51	1,452	5	3.2	NPV at CoE of 14%
Belgaum Dharwad	Toll	4,359	100	4,359	16	9.7	NPV at CoE of 14%
Sambalpur Baragarh	Toll	602	100	602	2	1.3	NPV at CoE of 14%
Durg	Toll	3,255	51	1,660	6	3.7	NPV at CoE of 14%
Jaora-Nayagaon	Toll	14,207	38	5,356	19	11.9	NPV at CoE of 14%
Dhankuni-Kharagpur	Toll	6,904	100	6,904	25	15.4	NPV at CoE of 14%
Chennai outer ring road	Annuity	3,621	50	1,810	6	4.0	NPV at CoE of 14%
Total		35,794		22,143	79	49.3	
ABL's share @ 61%				13,507	48	30.1	
Grand Total				44,945	160	100.0	

Source: Company, PL



Concall Highlights

- The company expects robust awarding momentum from 2QFY22 with NHA's plan to award projects worth Rs2.25trn in FY22E. Currently, bids for Rs70bn projects have been opened by NHA to be awarded over next 2 quarters.
 - The company targets incremental order inflows of Rs40-50bn in FY22E (in addition to Rs19.5bn order inflows in 1Q till date).
- With operations picking up, 4QFY21 revenues saw a double digit growth of 10.5% YoY. EBITDAM came in healthy at 14.5%, with reversal of contingency provisions with many projects approaching completion.
- Company's order book stands healthy at Rs81.7bn (2.1x TTM revenues). Of total order book, road comprises 76% (EPC-33%, HAM-43%), Power T&D-17% while Railways comprises 7%.
 - During 4Q, the company bagged solar power project worth Rs5bn from NTPC Renewable Energy.
 - Further post Mar'21, the company received LoA/ declared L-1 for 3 projects aggregating to Rs19.5bn: Housing project in Maldives worth Rs10.2bn (USD140mn), Memmadpur (Ambala) - Banur - Kharar EPC project in Punjab (Rs6.5bn) and railways project in Gujarat (Rs2.8bn).
 - With land availability at ~92%, company expects AD in Tumkur Shiva-mogga Pkg 3 in 1 month. For Pkg 4, land availability stands at 61% and AD is expected by Q2.
- Amidst the second wave of Covid, labour availability and operational efficiency across project sites dropped to~70% in Apr-May'21. However, with easing of restrictions and declining cases, operational efficiency has now bounced back to ~90-95% levels.
- With rising execution momentum, healthy order book and massive bid pipeline, the company maintained its earlier guidance of 20-25% construction revenue growth in FY22E. EBITDA margins on EPC segment are expected to be in the range of 12-12.5%.
- On monetisation front- negotiations for SBI Macquarie stake sale are in advanced stage of due diligence by potential investors.
 - The company expects monetisation to take place asset-by-asset and targets to conclude the same by Q2/Q3 FY22E.
- The company continues to witness timely payments from Central and State Govt agencies with exception to UP and Jharkhand State Govt, where it saw payments being delayed by 2-3 months.
- Toll revenues across ASBL's road portfolio grew by 17.8% YoY (on a lower base) in 4QFY21 and were largely flat QoQ.
- The company's gross standalone debt has gone up marginally to Rs3.6bn (vs Rs3.5bn in 3QFY21). Cash (incl FD's) as at 4Q and stands at ~Rs1bn.
- For its under-construction BOT/HAM projects, the company would be infusing Rs1.8bn/ Rs1.4bn as equity in FY22E/ FY23E respectively.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	50,705	46,365	55,873	59,546
YoY gr. (%)	2.8	(8.6)	20.5	6.6
Cost of Goods Sold	11,594	12,909	12,851	13,696
Gross Profit	39,111	33,456	43,022	45,850
Margin (%)	77.1	72.2	77.0	77.0
Employee Cost	2,933	3,210	3,352	3,573
Other Expenses	5,717	4,093	6,705	7,145
EBITDA	15,752	11,803	16,762	17,864
YoY gr. (%)	13.0	(25.1)	42.0	6.6
Margin (%)	31.1	25.5	30.0	30.0
Depreciation and Amortization	2,998	2,759	3,174	3,329
EBIT	12,754	9,045	13,588	14,535
Margin (%)	25.2	19.5	24.3	24.4
Net Interest	10,426	9,696	11,004	11,829
Other Income	817	1,302	1,229	1,310
Profit Before Tax	3,146	650	3,812	4,015
Margin (%)	6.2	1.4	6.8	6.7
Total Tax	1,659	1,642	1,144	1,205
Effective tax rate (%)	52.7	252.4	30.0	30.0
Profit after tax	1,487	(991)	2,669	2,811
Minority interest	-	-	-	-
Share Profit from Associate	117	174	-	-
Adjusted PAT	1,604	(817)	2,669	2,811
YoY gr. (%)	709.5	(150.9)	(426.7)	5.3
Margin (%)	3.2	(1.8)	4.8	4.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,604	(817)	2,669	2,811
YoY gr. (%)	(497.7)	(150.9)	(426.7)	5.3
Margin (%)	3.2	(1.8)	4.8	4.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,604	(817)	2,669	2,811
Equity Shares O/s (m)	281	281	281	281
EPS (Rs)	5.7	(2.9)	9.5	10.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	97,065	97,393	1,02,393	1,07,393
Tangibles	97,065	97,393	1,02,393	1,07,393
Intangibles	-	-	-	-
Acc: Dep / Amortization	20,069	22,827	26,001	29,331
Tangibles	20,069	22,827	26,001	29,331
Intangibles	-	-	-	-
Net fixed assets	76,997	74,566	76,392	78,063
Tangibles	76,997	74,566	76,392	78,063
Intangibles	-	-	-	-
Capital Work In Progress	702	616	616	616
Goodwill	-	-	-	-
Non-Current Investments	19,191	12,546	15,975	19,175
Net Deferred tax assets	828	608	608	608
Other Non-Current Assets	2,021	13,036	14,225	15,129
Current Assets				
Investments	-	-	-	-
Inventories	4,348	4,367	4,822	5,139
Trade receivables	10,830	10,679	12,246	13,051
Cash & Bank Balance	7,544	6,307	5,702	7,122
Other Current Assets	3,688	7,928	8,298	8,825
Total Assets	1,35,512	1,41,561	1,52,146	1,61,871
Equity				
Equity Share Capital	1,404	1,404	1,404	1,404
Other Equity	2,739	4,790	7,177	9,707
Total Networth	4,143	6,193	8,581	11,111
Non-Current Liabilities				
Long Term borrowings	60,902	58,823	58,823	58,823
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,716	2,871	7,871	12,871
Trade payables	8,185	8,362	9,644	10,278
Other current liabilities	18,775	22,041	23,958	25,519
Total Equity & Liabilities	1,35,512	1,41,561	1,52,146	1,61,871

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	3,262	4,377	3,812	4,015
Add. Depreciation	2,998	2,759	3,174	3,329
Add. Interest	10,424	9,673	11,004	11,829
Less Financial Other Income	817	1,302	1,229	1,310
Add. Other	(73)	310	-	-
Op. profit before WC changes	16,611	17,118	17,991	19,174
Net Changes-WC	(3,876)	(14,120)	(3,668)	(1,939)
Direct tax	(2,044)	(1,446)	(1,144)	(1,205)
Net cash from Op. activities	10,691	1,553	13,180	16,030
Capital expenditures	(1,035)	(818)	(5,000)	(5,000)
Interest / Dividend Income	199	321	-	-
Others	(330)	(1,264)	(2,500)	(2,500)
Net Cash from Inv. activities	(1,166)	(1,761)	(7,500)	(7,500)
Issue of share cap. / premium	141	147	-	-
Debt changes	454	4,132	5,000	5,000
Dividend paid	-	-	(281)	(281)
Interest paid	(6,307)	(6,487)	(11,004)	(11,829)
Others	-	-	-	-
Net cash from Fin. activities	(5,711)	(2,209)	(6,285)	(7,110)
Net change in cash	3,814	(2,417)	(606)	1,420
Free Cash Flow	9,592	697	8,180	11,030

Source: Company Data, PL Research

Key Financial Metrics

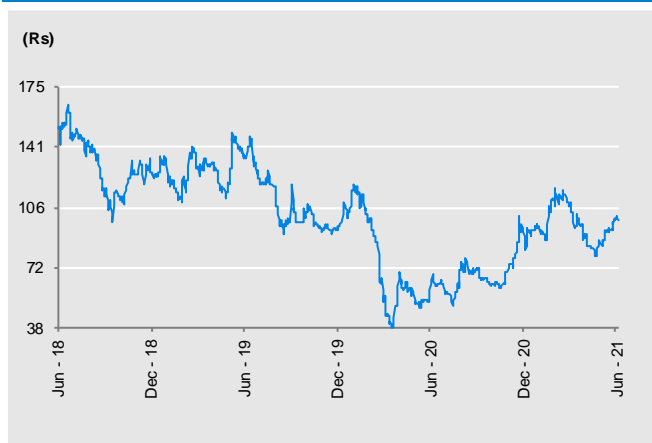
Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	5.7	(2.9)	9.5	10.0
CEPS	16.4	6.9	20.8	21.9
BVPS	14.8	22.1	30.6	39.6
FCF	34.2	2.5	29.1	39.3
DPS	-	1.0	1.0	1.0
Return Ratio(%)				
RoCE	19.6	13.4	19.0	18.4
ROIC	10.5	(22.6)	14.4	14.1
RoE	45.7	(15.8)	36.1	28.5
Balance Sheet				
Net Debt : Equity (x)	13.3	8.9	7.1	5.8
Net Working Capital (Days)	47	62	66	66
Valuation(x)				
PER	17.1	(33.6)	10.3	9.8
P/B	6.6	4.4	3.2	2.5
P/CEPS	6.0	14.1	4.7	4.5
EV/EBITDA	5.2	7.0	5.3	5.2
EV/Sales	1.6	1.8	1.6	1.5
Dividend Yield (%)	-	1.0	1.0	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	5,724	8,775	9,807	13,870
YoY gr. (%)	(34.7)	6.7	(0.3)	10.5
Raw Material Expenses	-	-	-	-
Gross Profit	5,724	8,775	9,807	13,870
Margin (%)	100.0	100.0	100.0	100.0
EBITDA	819	1,309	1,055	2,012
YoY gr. (%)	(25.2)	6.6	(15.1)	(12.1)
Margin (%)	14.3	14.9	10.8	14.5
Depreciation / Depletion	223	218	216	216
EBIT	596	1,092	839	1,796
Margin (%)	10.4	12.4	8.6	13.0
Net Interest	166	197	183	225
Other Income	483	498	473	466
Profit before Tax	913	1,393	1,129	2,037
Margin (%)	16.0	15.9	11.5	14.7
Total Tax	222	346	272	546
Effective tax rate (%)	24.4	24.8	24.1	26.8
Profit after Tax	691	1,047	856	1,492
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	691	1,047	856	1,492
YoY gr. (%)	6.8	44.0	0.1	(9.2)
Margin (%)	12.1	11.9	8.7	10.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	691	1,047	856	1,492
YoY gr. (%)	6.8	44.0	0.1	(9.2)
Margin (%)	12.1	11.9	8.7	10.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	691	1,047	856	1,492
Avg. Shares O/s (m)	281	281	281	281
EPS (Rs)	2.5	3.7	3.1	5.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Apr-21	BUY	160	96
2	08-Feb-21	BUY	160	105
3	07-Jan-21	BUY	147	94
4	12-Nov-20	BUY	147	69
5	08-Oct-20	BUY	147	64
6	12-Aug-20	BUY	147	60
7	07-Jul-20	BUY	147	64

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	1,337	1,388
2	Ahluwalia Contracts (India)	BUY	384	293
3	Apar Industries	BUY	696	524
4	Ashoka Buildcon	BUY	160	96
5	Bharat Electronics	Accumulate	110	131
6	BHEL	Sell	34	67
7	Capacite's Infraprojects	BUY	270	210
8	Container Corporation of India	Hold	607	634
9	Cummins India	Hold	796	772
10	Engineers India	BUY	129	84
11	GE T&D India	Hold	141	137
12	H.G. Infra Engineering	BUY	476	333
13	IRB Infrastructure Developers	BUY	179	106
14	ITD Cementation India	BUY	97	83
15	J.Kumar Infraprojects	BUY	272	177
16	Kalpataru Power Transmission	BUY	448	382
17	KEC International	Accumulate	420	417
18	KNR Constructions	Accumulate	253	227
19	Larsen & Toubro	BUY	1,604	1,416
20	NCC	BUY	111	83
21	PNC Infratech	BUY	295	256
22	Power Grid Corporation of India	BUY	205	170
23	Sadbhav Engineering	BUY	115	63
24	Siemens	Accumulate	2,101	2,064
25	Thermax	Accumulate	1,559	1,455
26	Triveni Turbine	BUY	98	102
27	Voltamp Transformers	BUY	1,466	1,058

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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