

Ashoka Buildcon

Moving towards being asset light

Ashoka Buildcon (ASBL) reported revenue/EBITDA/APAT of INR 15.6/1.2/0.7bn, beating/(missing) our estimates by 11.3/(8.9)/(11.5)%. With approvals pending from only a few stakeholders, all the asset monetisation deals are expected to be completed by H1FY24. On the back of strong order inflows, the FYTD23 order book (OB) stands at INR 191.5bn (~3.2x FY23E revenue). The standalone gross/net debt decreased marginally to INR 8.5/5.8bn as of Dec'22 vs. INR 8.7/6.5bn as of Sep'22. The balance equity requirement for HAM assets as of Dec'22 stands at INR 2bn, of which INR 0.4bn would be funded in Q4FY23 and INR 0.9/0.4bn in FY24/25. ASBL has guided for a capex of INR 2.5bn for the next five quarters. It also guided FY23 revenue growth of 30% YoY. We cut our estimates to factor in weaker margins and maintain BUY, with a TP of INR 131/sh (9x Dec-24E EPS rollover).

- Q3FY23 financial highlights:** Revenue: INR 15.6bn (+41.3/21.8% YoY/QoQ, a beat of 11.3%). EBITDA: INR 1.2bn (-3/+4.5% YoY/QoQ, a miss of 8.9%). EBITDA margin: 7.5% (-343/-124bps YoY/QoQ, below our estimate of 9.2%, owing to lower margins in the older project bid aggressively moving into revenue recognition. APAT: INR 667mn (-17.6/+1.9% YoY/QoQ, a miss of 11.5%). The BOT division recorded a toll revenue of INR 2.9bn (+16.1/+5.7% YoY/QoQ). ASBL has guided for FY23 revenue to grow by 30% YoY.
- Well-diversified OB augurs well for revenue visibility:** The OB as of Dec'22 stood at INR 161.4bn (~2.7x FY23E revenue). Business-wise, the OB is well-diversified with roads/T&D/railways/buildings contributing 54.8/17.5/8.9/18.6% of the order backlog. ASBL reiterated its clear focus on HAM projects while diversifying its portfolio into power T&D, railways, and building as well.
- Asset-light balance sheet by H1FY24:** During the quarter, ASBL sold its entire 74% stake in the Jaora-Nayagaon (JN) BOT asset to NIIF for an aggregate consideration of INR 6.9bn (ASBL share INR 4bn). Further, with approvals pending from only a few stakeholders, all the asset monetisation deals are expected to be completed by H1FY23. In total, ASBL expects to receive ~INR 4.5bn from Chennai ORR and INR 4bn from JN. Besides this, CGD asset and Eleven HAM (advanced stage of monetisation discussion) have approximately INR 11bn of investment and may add to the monetisation pool. ASBL may use the surplus for working capital reduction and buyback/dividends.

Standalone Financial Summary (INR mn)

Particulars	3QFY23	3QFY22	YoY (%)	2QFY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	15,595	11,037	41.3	12,803	21.8	45,915	59,689	66,255	73,543
EBITDA	1,170	1,207	(3.0)	1,119	4.5	5,025	4,996	6,228	7,354
APAT	667	809	(17.6)	655	1.9	4,086	2,137	2,797	3,395
EPS (INR)	2.4	2.9	(17.6)	2.3	1.9	14.6	7.6	10.0	12.1
P/E (x)						5.5	10.5	8.0	6.6
EV/EBITDA (x)						5.3	5.4	3.8	3.0
RoE (%)						14.3	7.6	9.0	9.8

Source: Company, HSIE Research

Standalone estimate change summary (INR mn)

Particulars	FY23E			FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	59,689	57,439	3.9	66,255	63,757	3.9	73,543	70,771	3.9
EBITDA	4,996	5,457	(8.4)	6,228	6,439	(3.3)	7,354	7,360	(0.1)
EBITDA (%)	8.4	9.5	(113.0)	9.4	10.1	(70.0)	10.0	10.4	(40.0)
APAT	2,137	2,642	(19.1)	2,797	3,096	(9.7)	3,395	3,554.7	(4.5)

Source: Company, HSIE Research

BUY

CMP (as on 13 Feb 2023)	INR 80
Target Price	INR 131
NIFTY	17,771

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	INR 134	INR 131	
EPS	FY23E	FY24E	FY25E
Change %	-19.1	-9.7	-4.5

KEY STOCK DATA

Bloomberg code	ASBL IN
No. of Shares (mn)	281
MCap (INR bn) / (\$ mn)	22/271
6m avg traded value (INR mn)	108
52 Week high / low	INR 99/69

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	6.7	3.5	(15.2)
Relative (%)	8.9	1.9	(19.2)

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	54.48	54.48
FIs & Local MFs	19.11	19.48
FPIs	1.93	2.00
Public & Others	24.48	24.04
Pledged Shares	-	-

Source : BSE

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Disclosure:

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