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## Q4FY21 result review

Roads and  
Highways

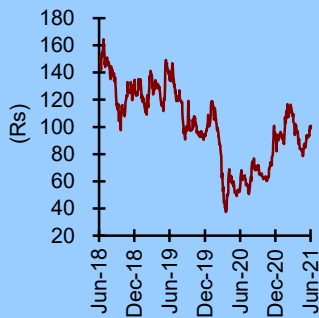
Target price Rs182

## Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	54.5	54.5	54.5
Institutional investors	30.5	30.9	31.4
MFs and others	27.2	27.5	27.3
FIs/Banks/Ins	0.1	0.1	0.1
FIIIs	3.2	3.3	4.0
Others	15.0	14.6	14.1

Source: NSE

## Price chart



INDIA

## Ashoka Buildcon

BUY

Maintained

Rs98

## Order wins crucial going ahead

Ashoka Buildcon's (ASBL) Q4FY21 standalone EPC revenue was up 20% YoY and 41% QoQ to Rs13.8bn driven by improved execution across roads segment. While ASBL's order book of Rs81bn (1.8x FY21 EPC revenue) remains healthy, incremental order wins and monetisation of BOT road assets in Ashoka Concession Ltd. (ACL) remain key triggers for the stock. ASBL is targeting fresh order wins of Rs40-50bn in FY22E on the back of improved ordering outlook for road projects. We maintain our BUY rating with an unchanged SoTP based target price of Rs182/share. Our target price includes Rs112 for the standalone EPC business valued at 10x Mar'23 EPS, Rs65 for BOT/HAM projects and Rs5 for land at 0.5x P/B multiple. Key risks to our call are slowdown in NHAI road orders and delay in execution of ongoing projects.

- EPC revenues improve, to ramp up going ahead:** ASBL's Q4FY21 standalone EPC revenue was up 20% YoY and 41% QoQ owing to improved execution in road projects. The management highlighted that labour availability has now normalised to 90-95% of pre-Covid levels and the company expects a 20-25% EPC revenue growth in FY22E after achieving flattish YoY EPC revenue of Rs38.2bn in FY21. EBITDA margin guidance over the next two-three years remains at 11-12% owing to higher competitive intensity in bidding for road orders and company's diversifications plans into lower margin EPC segments. Standalone debt levels remain comfortable at Rs3.6bn (up marginally QoQ) which consists of Rs1.6bn of equipment loans and Rs2.0bn of working capital loans with cash balance of Rs1.0bn (standalone net D/E of 0.1x). ASBL has pending HAM equity commitments of Rs3.2bn over FY22-23E as of Mar'21.
- Healthy order book, looking to diversify order book profile:** ASBL's order book at the end of Q4FY21 stood at Rs81.3bn (1.82x FY21 EPC revenue) along with additional L1 orders of Rs19.5bn. The company is targeting fresh order wins of Rs40-50bn in FY22E on the back of enhanced market opportunity for NHAI/MoRTH road orders over this period. While roads currently constitute 76% of the order book, ASBL is targeting orders in the water and buildings segment as well in order to reduce its dependence on road projects going ahead. We model for standalone EPC revenue of Rs45bn in FY22E and Rs53bn in FY23E and we believe that this is achievable considering that company is looking to diversify its order book across segments.
- ACL asset monetisation remains a key trigger:** As per ASBL management, the asset monetisation plans for BOT/HAM projects in ACL/ASBL are at an advanced stage and the company expects to receive a binding agreement by Q2FY22 once due diligence is complete. While ASBL is looking to divest up to 100% stake in these projects (including under-construction), any positive outcome on the same is a key trigger for the stock going ahead.

Market Cap	Rs27.4bn/US\$370mn	<b>Year to Mar (Consol)</b>	<b>FY20</b>	<b>FY21P</b>	<b>FY22E</b>	<b>FY23E</b>
Reuters/Bloomberg	ABDL.BO / ASBL IN	Revenue (Rs mn)	50.7	49.9	57.1	65.8
Shares Outstanding (mn)	280.7	Rec. Net Income (Rs mn)	1.7	2.8	1.9	3.6
52-week Range (Rs)	117/51	EPS (Rs)	5.9	9.8	6.6	12.9
Free Float (%)	45.5	% Chg YoY	NM	NM	NM	NM
FII (%)	4.0	P/E (x)	16.6	10.0	14.9	7.6
Daily Volume (US\$/000)	2,768	P/B (x)	1.4	1.2	1.2	1.0
Absolute Return 3m (%)	(5.0)	EV/E (x)	5.0	5.4	5.3	4.7
Absolute Return 12m (%)	42.9	Dividend Yield (%)	2.0	2.0	2.0	2.0
Sensex Return 3m (%)	6.1	RoCE (%)	6.1	7.7	5.7	8.0
Sensex Return 12m (%)	52.6	RoE (%)	8.9	13.3	8.1	14.6

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**Table 1: Q4FY21 standalone result snapshot***(Rs mn)*

	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)
<b>Net Sales</b>	<b>13,870</b>	<b>11,548</b>	<b>20.1</b>	<b>9,807</b>	<b>41.4</b>
Material Expenses	11,042	9,063	21.8	8,069	36.8
Employee Expenses	405	424	(4.5)	437	(7.3)
Other Operating Expenses	411	771	(46.7)	246	67.0
<b>EBITDA</b>	<b>2,012</b>	<b>1,289</b>	<b>56.1</b>	<b>1,055</b>	<b>90.7</b>
Depreciation	216	290	(25.7)	216	(0.1)
<b>EBIT</b>	<b>1,796</b>	<b>999</b>	<b>79.8</b>	<b>839</b>	<b>114.0</b>
Other Income (incl. EO)	466	1,346	(65.4)	473	(1.4)
Interest Cost	225	209	7.6	183	22.9
<b>PBT</b>	<b>2,037</b>	<b>2,136</b>	<b>(4.6)</b>	<b>1,129</b>	<b>80.5</b>
Tax	546	493	10.6	272	100.4
<b>RPAT</b>	<b>1,492</b>	<b>1,642</b>	<b>(9.2)</b>	<b>856</b>	<b>74.2</b>
EO Items	-	(750)	NA	-	NA
<b>APAT</b>	<b>1,492</b>	<b>892</b>	<b>67.1</b>	<b>856</b>	<b>74.2</b>

Source: Company data, I-Sec research

**Table 2: Q4FY21 margin analysis**

	Q4FY21	Q4FY20	YoY (bps)	Q3FY21	QoQ (bps)
Material Expenses % Net Sales	79.6	78.5	113	82.3	(267)
Employee Expenses % Net Sales	2.9	3.7	(75)	4.5	(154)
Other Operating Expenses % Net Sales	3.0	6.7	(371)	2.5	45
<b>EBITDA Margin (%)</b>	<b>14.5</b>	<b>11.2</b>	<b>334</b>	<b>10.8</b>	<b>375</b>
Tax Rate (%)	26.8	23.1	369	24.1	266
<b>APAT Margin (%)</b>	<b>10.8</b>	<b>7.7</b>	<b>303</b>	<b>8.7</b>	<b>202</b>

Source: Company data, I-Sec research

## Financial summary (consolidated)

Table 3: Profit &amp; Loss statement

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Net Sales</b>	<b>50,705</b>	<b>49,917</b>	<b>57,071</b>	<b>65,802</b>
<b>Operating Expenses</b>	<b>34,953</b>	<b>34,562</b>	<b>41,117</b>	<b>47,125</b>
<b>EBITDA</b>	<b>15,752</b>	<b>15,355</b>	<b>15,954</b>	<b>18,677</b>
% margins	31.1%	30.8%	28.0%	28.4%
Depreciation & Amortisation	2,998	2,759	3,109	3,412
Interest expenses	10,426	9,696	10,493	10,767
Other Income	817	1,302	1,318	1,335
<b>PBT</b>	<b>3,146</b>	<b>4,202</b>	<b>3,670</b>	<b>5,833</b>
Less: Taxes	1,659	1,642	1,919	2,308
<b>PAT before</b>				
<b>Minority/Associate</b>	<b>1,487</b>	<b>2,560</b>	<b>1,751</b>	<b>3,525</b>
Minority/Associate share	(166)	(202)	(100)	(100)
<b>Net Income (Adjusted)</b>	<b>1,653</b>	<b>2,762</b>	<b>1,851</b>	<b>3,625</b>

Source: Company data, I-Sec research

Table 4: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Assets</b>				
Total Current Assets	34,937	48,660	48,323	56,004
of which cash & cash eqv.	7,619	6,207	9,101	11,125
Total Current Liabilities & Provisions	27,396	26,758	25,295	27,814
<b>Net Current Assets</b>	<b>7,540</b>	<b>21,902</b>	<b>23,028</b>	<b>28,190</b>
Goodwill/Investments	22,877	18,701	23,215	25,715
Net Fixed Assets	77,699	75,495	76,480	77,222
<b>Total Assets</b>	<b>1,08,116</b>	<b>1,16,098</b>	<b>1,22,723</b>	<b>1,31,127</b>
<b>Liabilities</b>				
Borrowings	58,162	61,569	66,719	71,869
Equity Share Capital	1,404	1,404	1,404	1,404
Reserves & Surplus*	17,999	20,761	21,955	24,923
<b>Net Worth</b>	<b>19,403</b>	<b>22,165</b>	<b>23,359</b>	<b>26,327</b>
Minority Interest	1,280	2,110	2,010	1,910
Deferred Taxes/Other Liabilities	29,271	30,254	30,635	31,021
<b>Total Liabilities</b>	<b>1,08,116</b>	<b>1,16,098</b>	<b>1,22,723</b>	<b>1,31,127</b>

Source: Company data, I-Sec research

Table 5: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>PBT</b>	<b>3,262</b>	<b>4,377</b>	<b>3,670</b>	<b>5,833</b>
Depreciation	2,998	2,759	3,109	3,412
Interest expenses	10,424	9,673	9,696	10,493
Non-Cash Adjustments	(67)	310	(2,668)	(2,685)
Working Capital Changes	(3,877)	(14,120)	731	(4,211)
Taxes Paid	(2,044)	(1,446)	(1,919)	(2,308)
Minority interest and other misc items	-	-	-	-
<b>Operating Cashflow</b>	<b>10,696</b>	<b>1,553</b>	<b>12,619</b>	<b>10,535</b>
Capital Commitments	(1,035)	(818)	(4,175)	(4,195)
<b>Free Cashflow</b>	<b>9,661</b>	<b>736</b>	<b>8,444</b>	<b>6,340</b>
Interest income	(100)	321	1,318	1,335
Other investing cashflow	(31)	(1,264)	(3,015)	(1,000)
<b>Cashflow from Investing Activities</b>	<b>(1,166)</b>	<b>(1,761)</b>	<b>(5,872)</b>	<b>(3,860)</b>
Issue of Share Capital	141	89	-	-
Inc (Dec) in Borrowings	454	4,190	6,500	6,500
Interest expenses	(6,307)	(6,487)	(9,696)	(10,493)
Dividend paid	-	-	(657)	(657)
<b>Cashflow from Financing activities</b>	<b>(5,711)</b>	<b>(2,209)</b>	<b>(3,853)</b>	<b>(4,650)</b>
<b>Chg. in Cash &amp; Bank balances</b>	<b>3,819</b>	<b>(2,416)</b>	<b>2,894</b>	<b>2,024</b>

Source: Company data, I-Sec research

Table 6: Key ratios

(Year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Per Share Data (Rs)</b>				
EPS	5.9	9.8	6.6	12.9
Cash EPS	16.6	19.7	17.7	25.1
Dividend per share (DPS)	2.0	2.0	2.0	2.0
Book Value per share (BV)	69.1	79.0	83.2	93.8
<b>Growth (%)</b>				
Net Sales	2.8	(1.6)	14.3	15.3
EBITDA	13.0	(2.5)	3.9	17.1
PAT	518.4	67.1	(33.0)	95.9
<b>Valuation Ratios (x)</b>				
P/E	16.6	10.0	14.9	7.6
P/BV	1.4	1.2	1.2	1.0
EV / EBITDA	5.0	5.4	5.3	4.7
Dividend Yield	2.0	2.0	2.0	2.0
<b>Operating Ratios</b>				
Debt/EBITDA (x)	3.7	4.0	4.2	3.8
Net D/E	2.6	2.5	2.5	2.3
<b>Profitability/Return Ratios (%)</b>				
RoE	8.9	13.3	8.1	14.6
RoCE	6.1	7.7	5.7	8.0
EBITDA Margins	31.1	30.8	28.0	28.4
Net Income Margins	3.3	5.5	3.2	5.5

Source: Company data, I-Sec research

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