

Ashoka Buildcon

BUY

ACL asset sale by Q2FY22

Summary

Ashoka Buildcon (ASBL) Q4FY21 standalone EBITDA was 39% higher than our estimates and is led by higher EBITDA margin at 14.5%. However, ASBL has guided for EBITDA margin of 12% for FY22E. As per company, commodity prices uptick will have minimal impact as it has build in cushion while bidding for the projects. ASBL Execution was healthy and revenue increased by 11% YoY in Q4. Company has guided revenue to increase by 20% YoY in FY22E, as Labour efficiency has increased to ~90-95% in Q1FY22. Order book at Rs101bn (3x TTM revenue) provides revenue visibility and incremental order-inflow expected at Rs70b in FY22E. ACL asset monetization has gathered pace and company plan to sell road asset on piecemeal basis. Though this could take time but we understand this could see monetization of ACL portfolio. We maintain our EPS and TP at Rs128. TP, implied valuation is at 7x FY23E EPS (last 5 years avg at 13x). Maintain BUY.

Key Highlights and Investment Rationale

- **Q4FY21 snapshot:** ASBL Q4FY21 Revenue at Rs14bn (+41% YoY) is led by pickup in execution. EBITDA declined by 12% YoY at Rs2bn and is led by lower EBITDA margin on YoY basis. However, EBITDA margin improved QoQ.
- **Good order win in FY21:** In FY21, ASBL won its highest ever order inflow in a year at Rs56bn. In Q4FY21 alone order inflow was Rs24bn. FY21 Order book is at Rs101bn with Roads / Power T&D and Railways / CGD at 76%/ 17%/ 8%. For FY22, ASBL has guided for order inflow of Rs70bn.
- **ACL monetization by Q2FY22:** On closure of ACL deal front, it is under process for monetization. Due- Diligence is going project wise project and company expects SPA to crystalize in Q2FY22. ACL will be sold project wise project versus plan to sell as one portfolio. Additionally, ASBL entered into SPA with India Infrastructure Fund (IIF) for purchase of 49% stake held by held by IIF and its subsidiaries AHBL for an aggregate consideration of ~Rs340mn.

TP	Rs128
CMP	Rs98
Potential upside / downside	+31%
Previous Rating	BUY

V/s Consensus

EPS (Rs)	FY22E	FY23E
IDBI Capital	15.2	17.8
Consensus	13.8	15.1
% difference	10.3	18.1

Shareholding Pattern (%)

Promoters	54.5
FII	4.0
DII	27.4
Public	14.1

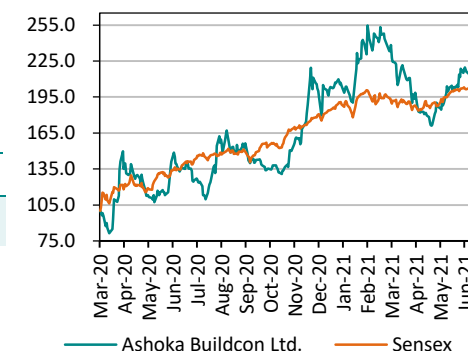
Price Performance (%)

	-1m	-3m	-12m
Absolute	11.8	(5.1)	42.8
Rel to Sensex	7.8	(10.8)	(7.8)

Key Stock Data

Bloomberg/Reuters	ASBL IN / ABDL.BO
Sector	Construction
Shares o/s (mn)	281
Market cap. (Rs mn)	27,385
Market cap. (US\$ mn)	368
3-m daily avg Trd value (Rs mn)	198.2
52-week high / low	Rs119 / 50
Sensex / Nifty	52,589 / 15,773

Relative to Sensex (%)



Financial snapshot

Year	FY2019	FY2020	FY2021	FY2022E	FY2023E
Revenue	38,206	39,374	38,175	43,901	52,682
EBITDA	5,152	5,856	5,195	5,268	6,058
EBITDA (%)	13.5	14.9	13.6	12.0	11.5
Adj. PAT	2,862	3,871	4,081	4,277	4,995
EPS (Rs)	10.2	13.8	14.5	15.2	17.8
Adj. EPS Growth (%)	(20.2)	35.3	5.4	4.8	16.8
PE (x)	9.6	7.1	6.7	6.4	5.5
Adj. Dividend Yield (%)	0.5	-	-	-	-
EV/EBITDA (x)	6.8	4.8	5.7	5.1	3.9
RoE (%)	13.8	16.1	14.6	13.3	13.6
RoCE (%)	15.6	14.5	12.6	11.2	12.0

Source: Company; IDBI Capital Research

Conference call takeaways

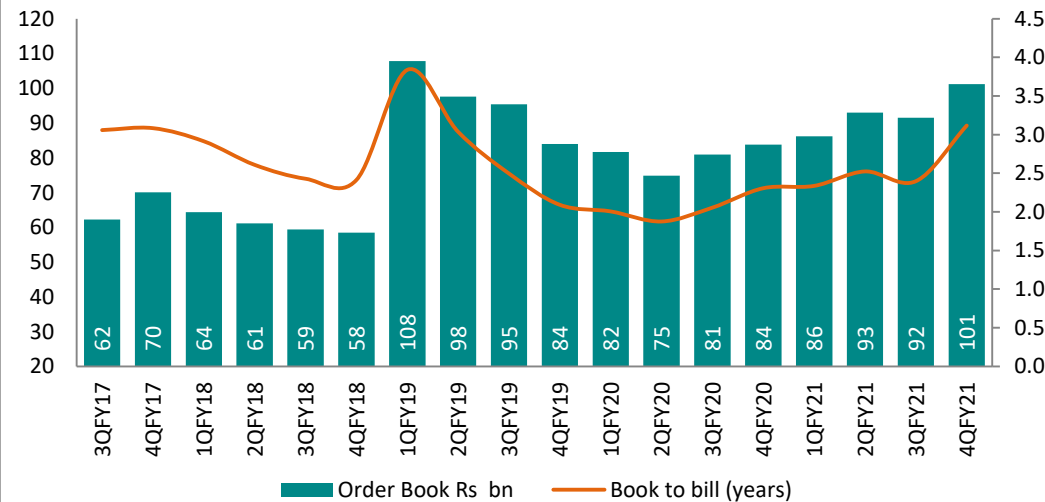
- Despite the challenging year, ASBL was able to maintain its momentum and efficiency resulting in complete recovery in execution in last 2 quarters. At present the pace of execution across all projects has improved. Company saw drop of 30% in labour efficiency led by the second covid wave but as on date labour efficiency has reached ~90-95%.
- On Toll Collection front, Q4FY21 BOT division recorded growth of 18% YoY at Rs2.6bn. And on full year basis, toll collection stood at Rs8.8 bn vs Rs9bn in FY20. And ASBL expects double digit increase in toll revenue in FY22E
- Q4FY21 Orderbook stood at Rs101bn consisting Roads HAM/ Roads EPC/ Power T&D/ Railways & Others/ CGD at 43%/ 33%/ 17%/ 8%.
- On bid pipeline front, NHA bidding to take place from Q2FY22 and have already announced bids worth Rs700bn. Company has won orders worth Rs20bn and going ahead it is targeting incremental orders of Rs40-50bn in FY22.
- On CGD business front, total equity of Rs2.9bn is to be funded for the project over 3-4 years out of which Rs1.3bn has already been infused. And Rs1.6bn is expected to be funded in 1-1.5years.
- In FY21 capex stood at Rs0.3bn. Going ahead, company expects capex to be ~Rs0.5-0.6bn for FY22.
- As on Mar' 21 Total Consolidated Debt stood at Rs62bn of which Rs58bn project debt including Rs15bn of NCDs. And Standalone debt stood at Rs3.6bn including equipment loans/ working capital of Rs1.5bn/ Rs2bn.
- On closure of BOT deal (ACL) front, it is under process for monetization with ultimate aim of giving exit to Macquarie. Due diligence projects are on-going on project wise project and company expects SPA to crystalize in Q2FY22.
- Giving guidance, ASBL expects topline to grow by 15-20% depending on how the company backs the orders. Going forward, company expects EBITDA margin to be ~12-12.5% for coming quarters.
- In FY21 fund limit stood at Rs3.3bn and non-fund limit at Rs30bn of which 60% is utilized.
- Equity requirement for FY22/FY23 is expected to be Rs1.8bn/ Rs1.4bn, totaling to Rs3.2bn for HAM projects.
- In FY21 Mobilisation advance/ Un-build revenue stood at Rs2.9bn/ Rs4.2bn. Total receivables / Retention money stood at Rs1.2bn/ Rs4.2bn.

Exhibit 1: Financial snapshot: Quarterly

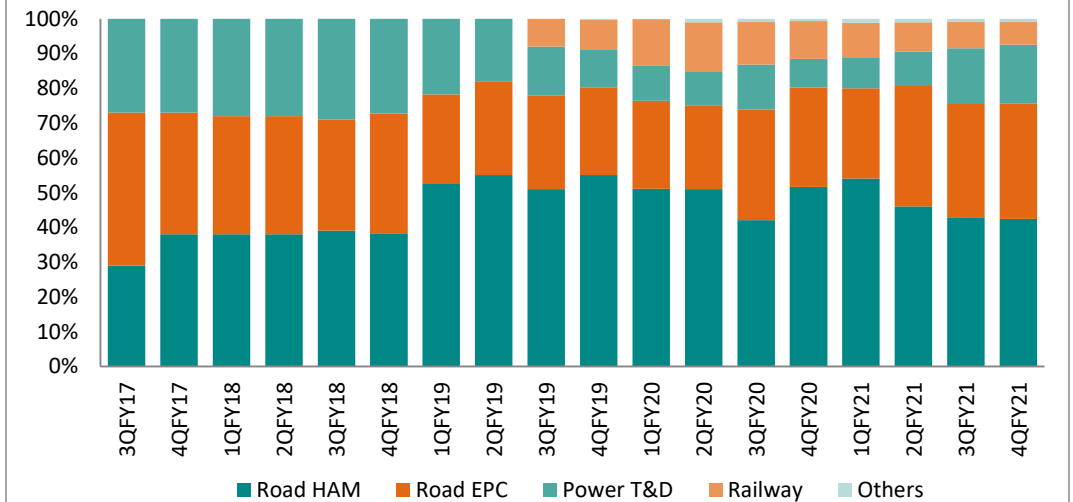
(Rs mn)

Particulars	4QFY21	4QFY20	YoY Chg (%)	3QFY21	QoQ Chg (%)
Net Sales	13,870	9,836	41.0	9,807	41.4
EBIDTA	2,012	2,289	-12.1	1,055	90.7
<i>EBITDA margin (%)</i>	14.5	18.2		10.8	
Other income	466	346	34.8	473	-1.4
PBITD	2,478	2,635	-6.0	1,528	62.2
Depreciation	216	290	-25.7	216	-0.1
Interest	225	209	7.6	183	22.9
Pre-tax profit	2,037	2,136	-4.6	1,129	80.5
Tax (current+deferred)	546	493	10.6	272	100.4
Profit after tax	1,492	1,642	-9.2	856	74.2
Adj. EPS (Rs.)	5.31	5.85	-9.2	3.05	74.2

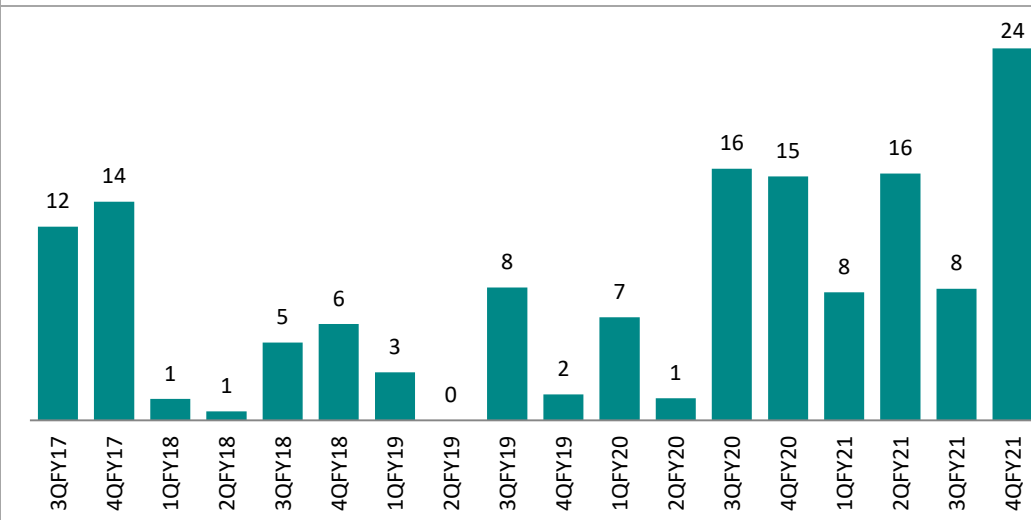
Source: Company; IDBI Capital Research

Exhibit 2: Order-book provides revenue visibility of ~3 years


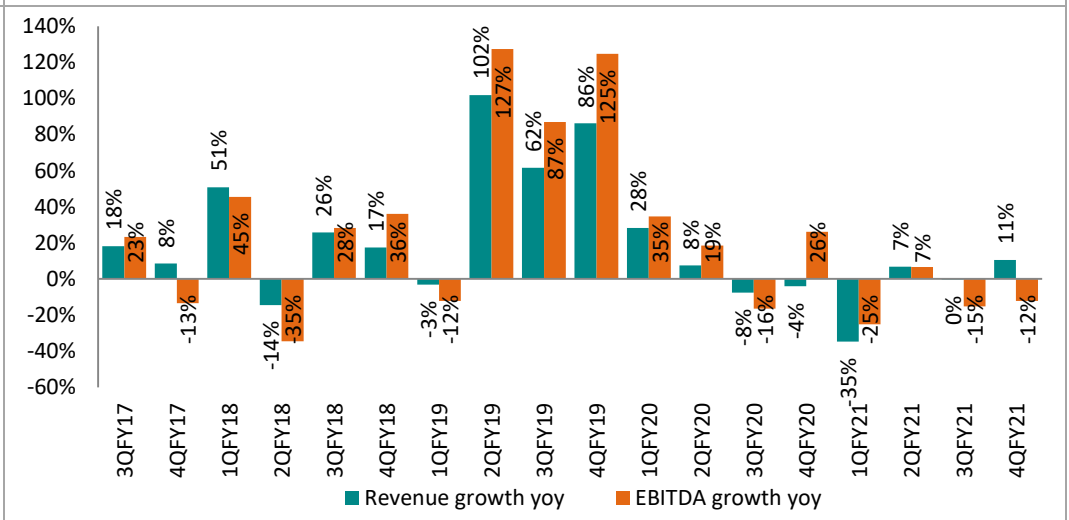
Source: Company

Exhibit 3: Order book composition : Road sector at 76%


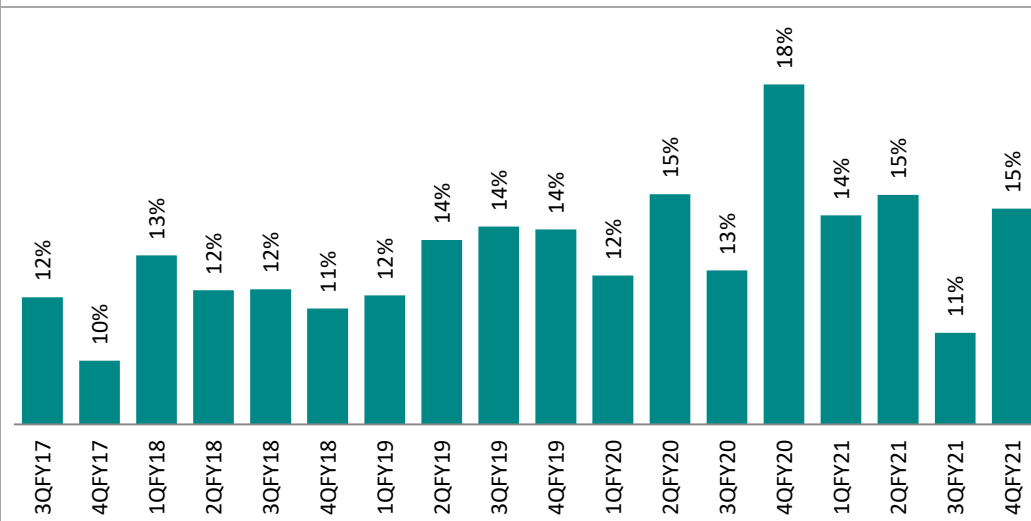
Source: Company

Exhibit 4: Order inflow trajectory: Consistently winning, Rs24bn inflow in Q4FY21


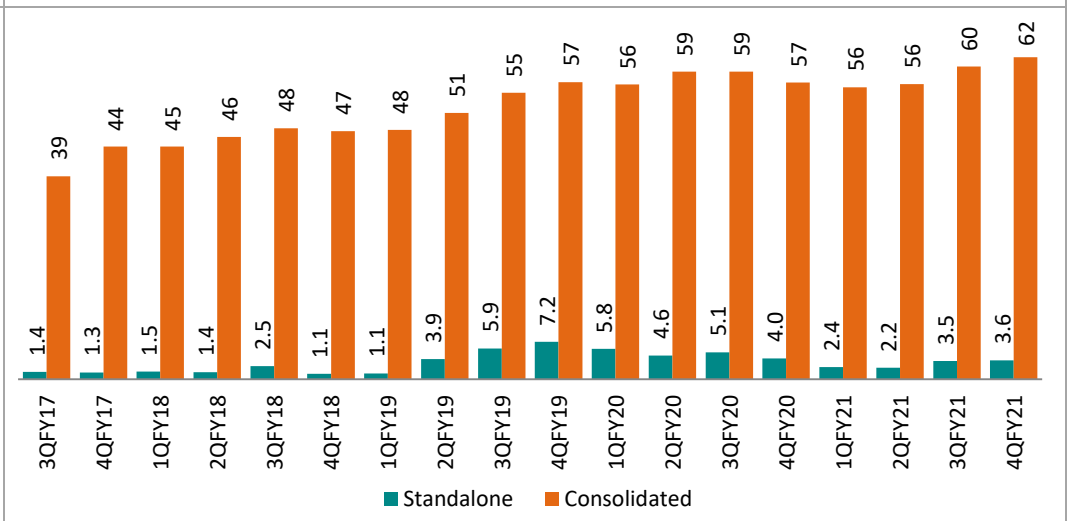
Source : Company

Exhibit 5: Execution over the years, lumpy in nature


Source : Company

Exhibit 6: EBITDA margin maintained at double digit rate (%)


Source : Company

Exhibit 7: Debt in the books (Rs bn)


Source : Company

Exhibit 8: SOTP-based valuation methodology

Particulars	FY23E New
PAT (Rs m)	4,995
Multiple (x)	5.0
Equity value (Rs m)	24,975
No. of shares (m)	281
Equity value (Rs/sh)	89
Investments in Subs FY20	52
Less Debt (Rs/sh) FY20	13
Target price (Rs)	128

Source: IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY20	FY21	FY22E	FY23E
Net sales	39,374	38,175	43,901	52,682
<i>growth (%)</i>	3.1	(3.0)	15.0	20.0
Operating expenses	(33,518)	(32,980)	(38,633)	(46,623)
EBITDA	5,856	5,195	5,268	6,058
<i>growth (%)</i>	13.7	(11.3)	1.4	15.0
Depreciation	(1,111)	(872)	(951)	(1,054)
EBIT	4,745	4,323	4,317	5,004
Interest paid	(855)	(772)	(356)	(116)
Other income	1,449	1,921	1,774	1,809
Pre-tax profit	5,340	5,472	5,735	6,697
Tax	(1,468)	(1,391)	(1,458)	(1,702)
<i>Effective tax rate (%)</i>	27.5	25.4	25.4	25.4
Minority Interest	-	-	-	-
Net profit	3,871	4,081	4,277	4,995
Exceptional items	-	-	-	-
Adjusted net profit	3,871	4,081	4,277	4,995
<i>growth (%)</i>	35.3	5.4	4.8	16.8
<i>Shares o/s (mn nos)</i>	281	281	281	281

Cash Flow Statement

(Rs mn)

Year-end: March	FY20	FY21	FY22E	FY23E
Pre-tax profit	5,340	5,472	5,735	6,697
Depreciation	1,111	872	951	1,054
Tax paid	(1,414)	(1,227)	(1,458)	(1,702)
Chg in working capital	2,812	(3,251)	667	66
Other operating activities	(437)	(556)	(202)	116
Cash flow from operations (a)	7,413	1,310	5,693	6,231
Capital expenditure	(579)	(186)	(1,153)	(750)
Chg in investments	(2,816)	(2,852)	(2,000)	(2,000)
Other investing activities	2,830	973	559	-
Cash flow from investing (b)	(566)	(2,064)	(2,594)	(2,750)
Equity raised/(repaid)	-	-	-	-
Debt raised/(repaid)	407	22	(367)	(2,500)
Dividend (incl. tax)	-	-	-	-
Chg in minorities	-	-	-	-
Other financing activities	(4,882)	(758)	(356)	(116)
Cash flow from financing (c)	(4,475)	(736)	(723)	(2,616)
Net chg in cash (a+b+c)	2,372	(1,490)	2,376	865

Balance Sheet

(Rs mn)

Year-end: March	FY20	FY21	FY22E	FY23E
Net fixed assets	3,586	2,871	3,073	2,769
Investments	22,137	25,779	27,779	29,779
Other non-curr assets	1,514	1,369	1,369	1,369
Current assets	25,882	24,852	29,168	33,253
Inventories	1,534	1,717	2,117	2,555
Sundry Debtors	14,440	14,200	15,741	18,523
Cash and Bank	2,529	1,040	3,416	4,281
Marketable Securities	382	324	324	324
Loans and advances	1,535	572	572	572
Total assets	53,119	54,872	61,389	67,170
Shareholders' funds	25,989	30,067	34,345	39,340
Share capital	1,404	1,404	1,404	1,404
Reserves & surplus	24,586	28,664	32,941	37,936
Total Debt	3,610	3,551	3,184	684
Secured loans	1,921	1,091	1,724	224
Unsecured loans	1,689	2,460	1,460	460
Other liabilities	2,292	2,983	2,983	2,983
Curr Liab & prov	21,227	18,270	20,878	24,163
Current liabilities	15,675	14,932	17,444	20,611
Provisions	5,552	3,338	3,433	3,552
Total liabilities	27,130	24,804	27,045	27,831
Total equity & liabilities	53,119	54,872	61,389	67,170
Book Value (Rs)	93	107	122	140

Source: Company; IDBI Capital Research

Financial Ratios

Year-end: March	FY20	FY21	FY22E	FY23E
Adj. EPS (Rs)	13.8	14.5	15.2	17.8
Adj. EPS growth (%)	35.3	5.4	4.8	16.8
EBITDA margin (%)	14.9	13.6	12.0	11.5
Pre-tax margin (%)	13.6	14.3	13.1	12.7
ROE (%)	16.1	14.6	13.3	13.6
ROCE (%)	14.5	12.6	11.2	12.0
Turnover & Leverage ratios (x)				
Asset turnover (x)	0.7	0.7	0.8	0.8
Leverage factor (x)	2.2	1.9	1.8	1.7
Net margin (%)	9.8	10.7	9.7	9.5
Net Debt/Equity (x)	0.0	0.1	0.0	(0.1)
Working Capital & Liquidity ratio				
Inventory days	14	16	18	18
Receivable days	134	136	131	128
Payable days	84	76	80	80

Valuation

Year-end: March	FY20	FY21	FY22E	FY23E
P/E (x)	7.1	6.7	6.4	5.5
Price / Book value (x)	1.1	0.9	0.8	0.7
PCE (x)	5.5	5.6	5.3	4.5
EV / Net sales (x)	0.7	0.8	0.6	0.4
EV / EBITDA (x)	4.8	5.7	5.1	3.9
Dividend Yield (%)	0.0	0.0	0.0	0.0



Notes

Dealing

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Key to Ratings Stocks:

BUY: Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto $\pm 5\%$; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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