

Ashoka Buildcon

Monetisation awaited

Ashoka Buildcon (ASBL) reported APAT at Rs 856mn (+0%/-18% YoY/QoQ), missing our estimates by 5.4% despite 5% execution beat on lower-than-expected margins. Labour availability has now fully normalised. Toll collections have also surpassed pre-COVID levels. ASBL didn't win any major orders during the quarter (order book Rs 91.5bn). Low net D/E of ~0.1x and comfortable liquidity provide comfort. We maintain BUY on Ashoka Buildcon (ASBL) with an unchanged target price of Rs 175/sh. Potential monetisation of HAM/BOT assets and diversification of the order book could be positive triggers for the stock. No change in estimates.

- Slight beat on execution, margin profile deteriorates:** Revenues: Rs 9.8bn (-0.3%/+12% YoY/QoQ, 5% beat). EBITDA: Rs 1.06bn (-15% YoY, -19% QoQ, 11.6% miss). EBITDA margins: 10.8% (-188/-416 bps YoY/QoQ, vs est of 12.8%). Interest cost: Rs 222mn (-8%/-7% YoY/QoQ). APAT: Rs 856mn (+0% YoY, -18% QoQ, 5.4% miss). Medium-term margin guidance was revised downward by 100bps from 12-13% to 11-12%, due to higher competition in roads segment and gradual scaling up of non-roads segments. Labour availability has now completely normalised. ASBL expects flattish standalone revenue growth YoY.
- Order book at Rs 91.5bn; diversification work-in-progress:** Ashoka didn't win any major orders in 3QFY21 and won a couple of small power T&D orders totaling Rs ~3.2bn, taking the order book to Rs 91.5bn (~2.2x FY20 revenue). While the Roads segment continues to dominate the order book with 76% share, Power T&D and Railways constitute 16% and 8% respectively. The company has been bidding for water projects and will start bidding in buildings segment. However, ASBL has found little success in diversifying its order book. ASBL is looking to win additional Rs 20-30bn of orders in 4QFY21E, and Rs 50-60bn in FY22E. 4QFY21 execution ramp-up will be supported by Kandi project (commenced execution) and 2 NHAI Bihar EPC projects that will also start execution. While TS-III is likely to receive FC and AD in 4QFY21, TS-IV is now delayed due to only ~60% land availability.
- Liquidity position comfortable:** Consolidated gross/net debt stood at Rs 60/55bn (Rs 56/52bn QoQ), while standalone gross/net debt stood at Rs 3.5/2.8bn (~0.1x net D/E, vs Rs 2.2/1.2bn QoQ). Management expects standalone debt to sustain at current levels. Monetisation plans for company's HAM and BOT assets are in progress. The company expects to receive a binding agreement by Apr 21-end. ASBL is looking to divest maximum stake wherever possible (100% in post COD projects, 49% in under construction). NFB debt limits utilisation at ~60%.

Financial summary

YE March (Rs mn)	Standalone					Consolidated			
	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	9,807	9,836	(0.3)	8,775	11.8	50,705	46,774	54,442	62,738
EBITDA	1,055	1,243	(15.1)	1,309	(19.4)	15,752	13,933	14,490	16,599
APAT	856	855	0.1	1,047	(18.2)	1,653	(308)	(211)	1,015
Diluted EPS (Rs)	3.1	3.0	0.1	3.7	(18.2)	5.9	(1.1)	(0.8)	3.6
P/E (x)						18.0	(96.8)	(140.8)	29.3
EV / EBITDA (x)						5.1	7.0	6.9	6.2
RoE (%)						8.9	(1.6)	(1.2)	5.7

Source: Company, HSIE Research

BUY

CMP (as on 8 Feb 2021)	Rs 106
Target Price	Rs 175
NIFTY	15,116

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	Rs 175	Rs 175	
EPS	FY21E	FY22E	FY23E
Change %	-	-	-

KEY STOCK DATA

Bloomberg code	ASBL IN
No. of Shares (mn)	281
MCap (Rs bn) / (\$ mn)	29/403
6m avg traded value (Rs mn)	162
52 Week high / low	Rs 117/37

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	66.8	80.6	(8.0)
Relative (%)	44.2	45.6	(32.8)

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	54.48	54.48
FIs & Local MFs	27.35	29.75
FPIs	3.20	1.13
Public & Others	14.97	14.64
Pledged Shares	-	-

Source : BSE

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Disclosure:

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