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India | Equity Research | Q4FY24 results review

Ashoka Buildcon

Construction

Delay in monetisation, Delay in re-rating

Ashoka Buildcon (Ashoka) reported a sub-par result in FY24. A subdued operating margin (EBITDA) led to a flat profit (adjusted) despite revenues growing by >20% YoY. Note that the operating margins have declined from 13.6% in FY21 to 8.2% in FY24. Moreover, the order book declined by 25% to INR 130bn led by sharp decline in order inflow of INR 50bn, -50% YoY. In addition, the delay in conclusion of delayed monetisation is an overhang on the stock. The management has guided for a 15% growth in revenues in FY25E. However, a low order book, an increase in debt and a rise in working capital is a concern. We resume coverage with **HOLD** recommendation on the stock, valuing the stock at SoTP based target price at INR 204/share.

Margins flat; weak result

Ashoka's revenue was up 22% in Q4FY24 to INR 25bn (vs. INR 20bn YoY). While EBITDA grew 24% YoY to INR 1.8bn (vs. INR 1.5bn), its margin remained flat YoY at 7.4%. PAT margin marginally declined by 40bps YoY at 3.8% (vs 4.2% YoY), owing to higher interest cost stemming from increased debt in Q4FY24. The company expects H2FY25 margins to improve with the help of upcoming high margin projects; and revenue growth of 15% in FY25.

Book to bill <2x

FY24 OI, at INR 19.5bn, was subpar, resulting in a book to bill ratio of 1.7x FY24 revenue. Ashoka's order book helped improve its power T&D mix to 41% (vs. 25% YoY); on the flipside roads and railways declined to 53% (vs. 61% in YoY). The company expects OI of INR 120bn in FY25E with increase in ordering from states as well as centre, post elections.

Delay in asset monetisation; likely in H1FY25

Ashoka aims to reduce its working capital debt by 50%, through monetisation of its road assets i.e., 11 HAM, 6 BOT and 1 annuity. It expects the SPA for its HAM portfolio to be signed by Jun'24.

Resuming coverage with HOLD

We resume coverage with a **HOLD** rating on the stock, valuing it at a SoTP-based target price of INR 204/share.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	63,723	77,267	86,493	90,104
EBITDA	5,337	6,325	7,842	8,552
EBITDA Margin (%)	8.4	8.2	9.1	9.5
Net Profit	4,094	3,546	4,303	4,749
EPS (INR)	14.6	12.6	15.3	16.9
EPS % Chg YoY	(30.1)	1.0	32.3	10.4
P/E (x)	17.0	16.8	12.7	11.5
EV/EBITDA (x)	9.3	7.8	5.9	5.1
RoCE (%)	11.2	10.4	10.9	11.1
RoE (%)	13.5	9.9	10.8	10.9

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Market Data

Market Cap (INR)	55bn
Market Cap (USD)	659mn
Bloomberg Code	ABSL IN Equity
Reuters Code	ABDL.BO
52-week Range (INR)	200 /78
Free Float (%)	46.0
ADTV-3M (mn) (USD)	3.8

Price Performance (%)	3m	6m	12m
Absolute	3.3	41.4	137.9
Relative to Sensex	(0.2)	30.4	115.6

Outlook and valuation

India witnessed a sharp dip in road bidding in FY24. While the delay is attributable to Cabinet approval for the increased capital cost of its flagship programme, 'Bharatmala Pariyojana', the pipeline for road construction remains robust at > INR 1.5trn. We note 25% of the road under Bharatmala Pariyojana is yet to be awarded (~INR 3trn). The pipeline primarily consists of BOT and HAM assets – bodes well for listed companies with stronger balance sheets. The delay has impacted OI for EPC companies that are mainly dependent on the road sector. We expect the bidding to pick up in FY25E post the completion of India's general elections in Jun'24.

Ashoka has created a strong brand over the years with stable revenue growth of 15% CAGR over FY19–24 to INR 77bn.

Beset by a year of subdued road bidding, Ashoka's order book stands at INR 130bn, as on result date (1.7x FY24 revenue). With a strong bid pipeline of INR 2.5trn in FY25E, it expects OI of INR 120–150bn in FY25 and revenue growth of 15% with an EBITDA margin of 9.5% in FY25. We anticipate bidding to pick up in FY25E post the completion of India's general elections in Jun'24.

We resume coverage on Ashoka. Owing to the company's subdued order book, increased debt and deteriorating working capital, we assign a **HOLD** rating. Our SoTP-based target price is INR 204/share, valuing its EPC business at 8x FY26E PE; BOT at 1.4x NPV of FCFE; HAM portfolio at 1.3x equity investment; and obligation to PE of INR 14bn.

Key downside risks: 1) Delays in finalising SPAs for HAM/BOT projects. 2) Low OI

Key upside risks: 1) Increase in order inflow post elections 2) Margin recovery

Exhibit 1: SoTP-based target price

In (INR mn)	Basis of valuation	PAT/Equity value	Multiple	Valuation	Per share
EPC	8x FY26E PE	3,887	8	31,100	111
HAM	1.3x FY26E equity invested	17,432	1.3	22,662	81
BOT		12,431	1.4	17,404	62
Obligation to PE				(14,000)	(50)
Total				57,165	204

Source: I-Sec research

Conference call highlights

Financial highlights

- Revenue was up 22% YoY, at INR 25bn (vs. INR 20bn); along with EBITDA up 24% YoY, at INR 1.8bn (vs. INR 1.5bn).
- Adjusted PAT declined 38% YoY, on account of high interest cost in Q4FY24.
- Reported PAT stands at INR 2.7bn, which includes exceptional item of INR 1.7bn on account of gain from sale of its CGD business and reversal of impairment of its investments, loans and subsidiaries.
- Standalone cash and bank balance stands at INR 5.4bn, as on Mar'24 (vs. INR 2.8bn, as on Mar'23).
- Standalone debt stands at INR 11.4bn, as on Mar'24 (vs. INR 8.7bn, as on Mar'23).

Operational highlights

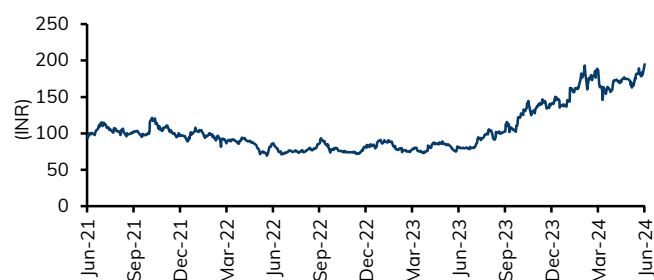
- Receipt of Letter of Award (LoA) from CIDCO in Jan'24 for the design and construction of stilt bridge in JV, for a total consideration of INR 6.6bn.
- Sale/disposal of stake held in Unison Enviro Private Limited in Feb'24, at an equity consideration of INR 5.6bn, out of which Ashoka has received INR 2.8bn for its 51% stake.
- Receipt of LoA from NHAI for 6L of Aurangabad to Bihar-Jharkhand border (Chordaha), section of NH-2 (PKG -1), in the state of Bihar under *Bharatmala Pariyojana* on EPC mode for a total consideration of INR 5bn.
- Receipt of Provisional Certificate (COD) for NHAI project – '6L of Belgaum-Khanapur section of NH-4A in Mar'24.
- Receipt of Completion Certificate for Hybrid Annuity Mode (HAM) NHAI project – eight-lane Vadodara Kim expressway in Apr'24.
- Acquisition of stake in GVR Ashoka Chennai ORR Limited by Ashoka Buildcon Limited.

Exhibit 2: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	54.5	54.5	54.5
Institutional investors	23.0	24.2	24.8
MFs and others	20.0	19.7	17.6
FIs/Banks	0.0	0.0	0.0
Insurance	0.0	0.0	0.0
FIIIs	3.0	4.5	7.2
Others	22.5	21.3	20.7

Source: Bloomberg

Exhibit 3: Price chart



Source: Bloomberg

Financial Summary

Exhibit 4: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	63,723	77,267	86,493	90,104
Operating Expenses	1,866	2,016	2,177	2,351
EBITDA	5,337	6,325	7,842	8,552
EBITDA Margin (%)	8.4	8.2	9.1	9.5
Depreciation & Amortization	742	1,046	1,013	1,078
EBIT	4,594	5,279	6,829	7,474
Interest expenditure	(1,410)	(2,281)	(2,193)	(2,239)
Other Non-operating Income	1,057	1,149	1,149	1,149
Recurring PBT	4,241	4,146	5,784	6,383
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	1,020	894	1,481	1,634
PAT	3,221	3,253	4,303	4,749
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	3,492	1,173	-	-
Net Income (Reported)	6,713	4,426	4,303	4,749
Net Income (Adjusted)	4,094	3,546	4,303	4,749

Source Company data, I-Sec research

Exhibit 5: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	52,901	66,779	75,000	78,821
of which cash & cash eqv.	1,865	5,106	8,198	10,804
Total Current Liabilities & Provisions	25,961	32,994	37,153	38,120
Net Current Assets	26,940	33,784	37,847	40,701
Investments	13,728	14,799	14,799	14,799
Net Fixed Assets	2,772	3,206	3,455	4,383
ROU Assets	-	-	-	-
Capital Work-in-Progress	285	22	150	150
Total Intangible Assets	-	-	-	-
Other assets	1,632	1,642	-	-
Deferred Tax Assets	-	-	-	-
Total Assets	45,356	53,454	56,251	60,033
Liabilities				
Borrowings	10,385	14,427	14,427	14,427
Deferred Tax Liability	(683)	(891)	(891)	(891)
provisions	1,418	1,201	1,075	896
other Liabilities	539	592	-	-
Equity Share Capital	1,404	1,404	1,404	1,404
Reserves & Surplus	32,294	36,721	40,237	44,197
Total Net Worth	33,697	38,125	41,640	45,601
Minority Interest	-	-	-	-
Total Liabilities	45,356	53,454	56,251	60,033

Source Company data, I-Sec research

Exhibit 6: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	(3,243)	479	4,220	5,400
Working Capital Changes	(7,207)	(3,820)	(1,097)	(426)
Capital Commitments	(1,087)	(1,218)	(1,390)	(2,006)
Free Cashflow	(2,156)	1,697	5,610	7,406
Other investing cashflow	-	-	-	-
Cashflow from Investing Activities	(1,087)	(1,218)	(1,390)	(2,006)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	4,792	4,042	-	-
Dividend paid	(788)	(788)	(788)	(788)
Others	752	726	1,050	0
Cash flow from Financing Activities	4,755	3,980	262	(788)
Chg. in Cash & Bank balance	425	3,241	3,091	2,607
Closing cash & balance	1,865	5,106	8,198	10,804

Source Company data, I-Sec research

Exhibit 7: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	11.5	11.6	15.3	16.9
Adjusted EPS (Diluted)	14.6	12.6	15.3	16.9
Cash EPS	17.2	16.4	18.9	20.8
Dividend per share (DPS)	(2.4)	(2.4)	(2.4)	(2.4)
Book Value per share (BV)	120.0	135.8	148.3	162.4
Dividend Payout (%)	(20.9)	(20.7)	(15.7)	(14.2)
Growth (%)				
Net Sales	38.8	21.3	11.9	4.2
EBITDA	6.2	18.5	24.0	9.0
EPS (INR)	(30.1)	1.0	32.3	10.4
Valuation Ratios (x)				
P/E	17.0	16.8	12.7	11.5
P/CEPS	11.3	11.9	10.3	9.4
P/BV	1.6	1.4	1.3	1.2
EV / EBITDA	9.3	7.8	5.9	5.1
P / Sales	0.9	0.7	0.6	0.6
Dividend Yield (%)	(1.2)	(1.2)	(1.2)	(1.2)
Operating Ratios				
Gross Profit Margins (%)	11.3	10.8	11.6	12.1
EBITDA Margins (%)	8.4	8.2	9.1	9.5
Effective Tax Rate (%)	24.1	21.6	25.6	25.6
Net Profit Margins (%)	5.1	4.2	5.0	5.3
NWC / Total Assets (%)	13.5	14.0	14.1	-
Net Debt / Equity (x)	(0.2)	(0.1)	(0.2)	(0.2)
Net Debt / EBITDA (x)	(1.0)	(0.9)	(1.1)	(1.3)
Profitability Ratios				
RoCE (%)	11.2	10.4	10.9	11.1
RoE (%)	13.5	9.9	10.8	10.9
RoC (%)	11.2	10.4	10.9	11.1
Fixed Asset Turnover (x)	23.6	25.9	26.0	23.0
Inventory Turnover Days	20	22	22	21
Receivables Days	83	74	76	73
Payables Days	77	70	68	64

Source Company data, I-Sec research

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