

Ashoka Buildcon | BUY



Asset monetization to deleverage the balance sheet

Ashoka Buildcon's (ABL) 1Q25 adjusted PAT at INR 408mn missed JMFe of INR 544mn (consensus: INR 650mn) due to lower margins despite beat in execution. EBITDA margins contracted sharply by 170bps YoY on adjusted base to 6.5% (JMFe: 8.3%) due to certain one-offs. Gross debt increased sharply QoQ from INR 14.4bn in Mar-24 to INR 19.6bn in June-24 due to increase in working capital levels. Order inflows have been strong in YTD at INR 36bn. Order backlog stands at INR 125bn (1.5x TTM revenue) as on June-24. ABL remains bullish on prospects across verticals and has guided for order inflows of INR 100-120bn for FY25E. It has guided for revenue growth of 15-20% in FY25E to INR 89-93bn which in our view is optimistic and we have factored 4%/7% growth in FY25/26E. We have cut FY25 EPS by 10% factoring lower margins in 1Q25 and expected softness in 2Q25. We have increased FY26 EPS by 7% factoring higher revenues. Asset monetization remains work in progress as ABL targets to monetize 11 HAMs and 5 BOT assets in FY25E while that for Chennai ORR and Jaora Nayagaon remains delayed. Timely monetization of assets would help in deleveraging. We maintain BUY with revised SOTP based price target of INR 280.

- 1Q25 earnings miss JMFe due to lower margins:** Revenue grew by 23% YoY to INR 18.8bn (JMFe: INR 17bn). EBITDA grew by 73% YoY to INR 1.2bn (JMFe: INR 1.4bn) on low base. EBITDA margins contracted sharply by 170bps YoY on adjusted base to 6.5% (JMFe: 8.3%) due to certain one-offs. Interest costs grew sharply by 29% YoY to INR 663mn (JMFe: INR 650mn) due to higher debt levels.
- Revenue growth guidance of 15-20% YoY for FY25 appears optimistic:** ABL received order inflows of INR 36bn in YTD. ABL is bullish on prospects across verticals and has guided for order inflows of INR 100-120bn for FY25E. ABL targets to participate in highway bids of 2400km worth INR 780bn from NHAI/MoRTH. The company has guided for revenue growth of 15-20% in FY25E to INR 89-93bn which in our view is optimistic. We have factored revenue growth of 4%/7% in FY25/26 given the weaker order backlog. ABL expects EBITDA margins to improve in 2H25 to 9-10% and 10-11% in FY26E.
- Targets to monetize 11 HAMs and 5 BOTs in FY25E; sale of Chennai ORR and Jaora Nayagaon remains delayed:** ABL expects to sign SHA for 11 HAM assets and 5 BOT assets by Sept-24. Monetization of Chennai ORR and Jaora-Nayagaon continues to remain delayed and the company has not indicated any timeline. ABL has to pay guaranteed return of INR 15.3bn to SBI-Macquarie which will be paid from proceeds of above deals.
- Maintain BUY with SoTP based revised price target of INR 280:** We expect core EPS CAGR of 41% over FY24-27E led by margin expansion. Currently, ABL trades at 10x/8x FY26/27 core EPS (ex-other income) after adjusting for value of assets (16x/13x FY26/27 core EPS without adjusting for value of assets). Valuations have historically been at a discount to peers. We believe there is further room for re-rating if asset monetization goes as planned. We value ABL's EPC business at 12x Sept-26E core EPS, HAM portfolio at 1.4x P/B and other ABL assets at 0.5x P/B and arrive at an SOTP-based revised price target of INR 280. Maintain Buy.

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We acknowledge the support of **Parth Thakkar** in the preparation of this report

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	280
Upside/(Downside)	19.4%
Previous Price Target	220
Change	26.8%

Key Data – ASBL IN

Current Market Price	INR234
Market cap (bn)	INR65.7/US\$0.8
Free Float	46%
Shares in issue (mn)	280.7
Diluted share (mn)	280.7
3-mon avg daily val (mn)	INR686.8/US\$8.2
52-week range	272/99
Sensex/Nifty	80,437/24,541
INR/US\$	84.0

Price Performance

%	1M	6M	12M
Absolute	2.8	34.2	133.7
Relative*	3.0	21.3	88.7

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	63,723	77,267	80,357	85,982	98,880
Sales Growth	37.2%	21.3%	4.0%	7.0%	15.0%
EBITDA	5,337	5,765	6,982	9,030	10,381
EBITDA Margin	8.4%	7.5%	8.7%	10.5%	10.5%
Adjusted Net Profit	3,221	2,694	3,165	4,671	5,410
Diluted EPS (INR)	11.5	9.6	11.3	16.6	19.3
Diluted EPS Growth	-30.1%	-16.4%	17.5%	47.6%	15.8%
ROIC	9.5%	7.8%	9.1%	12.2%	13.9%
ROE	10.6%	7.5%	8.0%	10.4%	10.5%
P/E (x)	6.9	12.7	20.8	14.1	12.1
P/B (x)	0.7	0.9	1.6	1.4	1.2
EV/EBITDA (x)	5.7	7.5	11.0	7.8	6.6
Dividend Yield	-	-	-	-	-

Source: Company data, JM Financial. Note: Valuations as of 16/Aug/2024

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Quarterly standalone results

INR mn	1QFY24	2QFY24	3QFY24	4QFY24	FY24P	1QFY25	1QFY25E	Variance	FY25E	FY26E	FY27E
Net Sales	15,321	15,613	21,335	24,998	77,267	18,771	17,000	10.4%	80,357	85,982	98,880
EBITDA	702	1,439	1,765	1,859	5,765	1,214	1,412	-14.0%	6,982	9,030	10,381
EBITDA margin (%)	4.6%	9.2%	8.3%	7.4%	7.5%	6.5%	8.3%		8.7%	10.5%	10.5%
Other income	253	284	285	329	1,150	238	255	-6.7%	932	744	349
Depreciation	222	247	276	302	1,046	224	290	-22.9%	1,043	1,167	1,321
Interest	514	527	620	620	2,281	663	650	1.9%	2,641	2,366	2,179
PBT	219	949	1,154	1,266	3,588	565	727	-22.2%	4,229	6,242	7,230
Tax	55	237	287	348	894	157	183	-14.2%	1,064	1,571	1,820
Effective tax rate (%)	25.1%	25.0%	24.9%	27.5%	24.9%	27.8%	25.2%		25.2%	25.2%	25.2%
Adjusted PAT	164	712	867	918	2,694	408	544	-24.9%	3,165	4,671	5,410
Extra-ordinary items	-	-	-	1,766	1,766	-	-		-	2,655	-
Reported PAT	164	712	867	2,685	4,461	408	544	-24.9%	3,165	7,326	5,410
YoY growth											
Net sales	3.6%	21.9%	36.8%	22.3%	21.3%	22.5%			4.0%	7.0%	15.0%
EBITDA	-51.4%	28.5%	50.8%	23.8%	8.0%	72.8%			21.1%	29.3%	15.0%
Other income	-19.0%	-4.2%	-6.4%	34.9%	8.9%	-5.9%			-19.0%	-20.2%	-53.1%
Depreciation	32.0%	35.4%	38.9%	56.0%	41.0%	0.9%			-0.3%	11.8%	13.2%
Interest	160.0%	46.2%	60.2%	33.4%	61.8%	29.0%			15.8%	-10.4%	-7.9%
PBT	-84.2%	8.7%	29.8%	16.5%	-15.4%	157.6%			17.9%	47.6%	15.8%
Adjusted PAT	-84.2%	8.8%	29.9%	7.3%	-16.4%	148.4%			17.5%	47.6%	15.8%
Reported PAT	-84.2%	8.8%	29.9%	-38.3%	-33.5%	148.4%			-29.1%	131.5%	-26.1%

Source: Company, JM Financial

Exhibit 2. Key assumptions

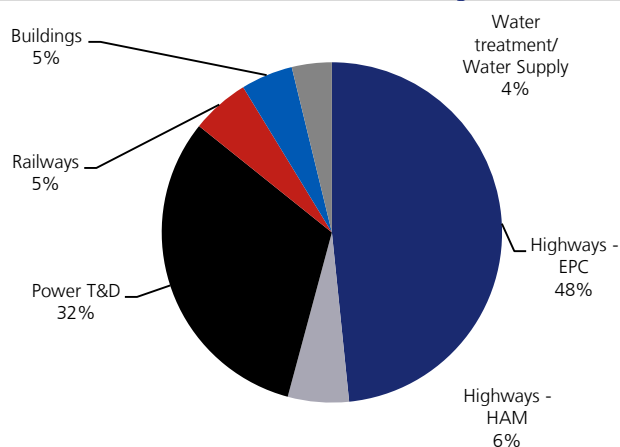
INR mn	FY23	FY24	FY25E	FY26E	FY27E
Order inflows	88,683	19,440	110,000	130,000	130,000
EBITDA Margins	8.4%	7.5%	8.7%	10.5%	10.5%
Capex	1,057	1,129	1,100	1,300	1,700
NWC days*	68	63	75	75	75

Source: Company, JM Financial; *: ex of free cash and L&A to subsidiaries/JVs

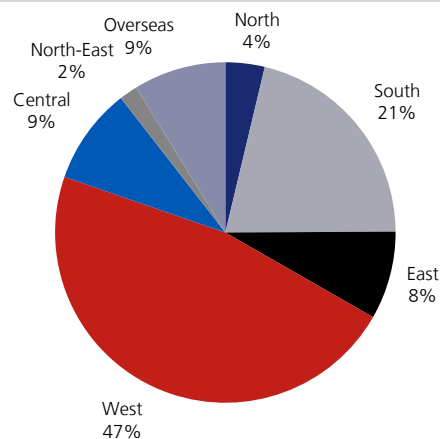
Exhibit 3. Core PAT computation

INR mn	FY24	FY25E	FY26E	FY27E
PBT	3,588	4,229	6,242	7,230
Less: other income	1,150	932	744	349
Core PAT*	1,824	2,466	4,112	5,147
Core EPS	6.5	8.8	14.6	18.3
Core PE	36.0	26.6	16.0	12.8
Core PE adjusted for assets	23.5	17.4	10.4	8.3

Source: Company, JM Financial; *: Core PAT = [(PBT less of other income)*(1-tax rate)]

Exhibit 4. Well diversified June'24 order backlog of INR 125bn

Source: Company, Company, JM Financial

Exhibit 5. West/South account for 47%/21% of June'24 backlog

Source: Company, Company, JM Financial

Exhibit 6. SoTP-based price target of INR 280

INR mn	Basis of valuation	Base value	Multiple	Equity value	ABL's value	INR/share
Construction	PEx Sept-26 core PAT*	4,630	12.0	55,557	55,557	198
HAM assets	P/B Mar-25E	11,620	1.4	16,268	16,268	58
5 BOT projects in ACL#	Premium to previous deal value			15,525	5,765	21
Other ABL assets	P/B	1,747	0.5	873	873	3
Total					78,464	280

Source: Company, JM Financial; *: core PAT is ex of other income; #: assumed INR 5.5bn of the INR 15.3bn obligation towards SBI-M (assumed cap value) to be met from proceeds of other asset sales in FY26E. Balance obligation of INR 9.8bn netted off from the equity valuation of 5 BOT assets

Key conference call takeaways

- **FY25 Guidance:** Revenue: 15-20% growth to INR 89-93bn (looks optimistic); Order inflows: INR 100-120bn (YTD: INR 36bn); Capex: INR 1.1bn.
- **Asset monetization update:** Monetization of ABL's 11 HAM and 5 BOT assets is at an advance stage with SHA expected to be signed by Sept-24. However, monetization of Chennai ORR and Jaora Nayagaon remains delayed.
- **EBITDA margins weak** at 6.5% in 1Q25 due to one-offs. ABL expects margins to improve to 9-10% in 2H25 and 10-11% in FY26E.
- **Bid pipeline:** ABL will participate in highway bids of 2400km worth INR 780bn from NHAI/MoRTH.
- **Pending equity requirement** for HAM assets stand at INR 1.2bn, which will be invested largely in FY25.

Exhibit 7. ABL's portfolio of 11 HAM assets

HAM assets (INR mn)	Awarding Authority	Status	BPC	Equity	Debt	Equity invested*	Debt drawn*
Kharar-Ludhiana	NHAI	COD	20,700	1,600	6,000	1,570	5,680
Ranastalam-Anandpuram	NHAI	COD	11,871	1,100	4,150	1,050	3,910
Vadodara Kim	NHAI	COD	16,870	1,500	6,000	1,510	5,680
Khairatunda-Barwa Adda	NHAI	COD	8,601	710	2,700	720	2,540
Belgaum-Khanapur	NHAI	COD(P)	8,562	770	2,950	590	1,760
Tumkur-Shivamogga –II	NHAI	COD(P)	12,185	970	3,850	1,140	3,290
Tumkur-Shivamogga –I	NHAI	COD(P)	9,170	710	2,750	670	2,390
Kandi-Ramsanpalle	NHAI	COD	10,000	690	2,350	690	2,340
Tumkur-Shivamogga –IV	NHAI	UC	13,820	880	4,300	850	2,480
Tumkur-Shivamogga –III	NHAI	COD(P)	10,355	600	2,500	720	2,060
Basawantpur Singnodi	NHAI	UC	10,790	1,440	3,900	950	3,010
Total			132,924	10,970#	41,450	10,450	35,140

Source: Company, JM Financial; *: as on June-24; #: including PIM, ABL's equity investment would be INR 11.62bn; UC: under construction, COD: Commercial Operation Date, COD(P): Provisional Commercial Operation date

Financial Tables (Standalone)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	63,723	77,267	80,357	85,982	98,880	
Sales Growth	37.2%	21.3%	4.0%	7.0%	15.0%	
Other Operating Income	0	0	0	0	0	
Total Revenue	63,723	77,267	80,357	85,982	98,880	
Cost of Goods Sold/Op. Exp	55,247	67,062	68,802	72,070	83,039	
Personnel Cost	1,915	2,331	2,634	2,844	3,157	
Other Expenses	1,225	2,109	1,940	2,037	2,302	
EBITDA	5,337	5,765	6,982	9,030	10,381	
EBITDA Margin	8.4%	7.5%	8.7%	10.5%	10.5%	
EBITDA Growth	-4.0%	8.0%	21.1%	29.3%	15.0%	
Depn. & Amort.	742	1,046	1,043	1,167	1,321	
EBIT	4,594	4,719	5,939	7,864	9,060	
Other Income	1,057	1,150	932	744	349	
Finance Cost	1,410	2,281	2,641	2,366	2,179	
PBT before Excep. & Forex	4,241	3,588	4,229	6,242	7,230	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	4,241	3,588	4,229	6,242	7,230	
Taxes	1,020	894	1,064	1,571	1,820	
Extraordinary Inc./Loss(-)	3,492	1,766	0	2,655	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	6,713	4,461	3,165	7,326	5,410	
Adjusted Net Profit	3,221	2,694	3,165	4,671	5,410	
Net Margin	5.1%	3.5%	3.9%	5.4%	5.5%	
Diluted Share Cap. (mn)	280.7	280.7	280.7	280.7	280.7	
Diluted EPS (Symbole)	11.5	9.6	11.3	16.6	19.3	
Diluted EPS Growth	-30.1%	-16.4%	17.5%	47.6%	15.8%	
Total Dividend + Tax	0	0	0	0	0	
Dividend Per Share (₹)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	4,241	3,588	4,229	8,897	7,230	
Depn. & Amort.	742	1,046	1,043	1,167	1,321	
Net Interest Exp. / Inc. (-)	1,410	2,281	2,641	2,366	2,179	
Inc (-) / Dec in WCap.	-1,287	-1,153	-3,052	-1,105	-2,387	
Others	0	0	0	0	0	
Taxes Paid	-1,020	-894	-1,064	-1,571	-1,820	
Operating Cash Flow	4,087	4,868	3,797	9,753	6,523	
Capex	-1,057	-1,129	-1,100	-1,300	-1,700	
Free Cash Flow	3,029	3,739	2,697	8,453	4,823	
Inc (-) / Dec in Investments	-5,486	-2,323	-1,500	-350	-865	
Others	-89	-347	0	0	0	
Investing Cash Flow	-6,632	-3,799	-2,600	-1,650	-2,565	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	4,380	4,453	-677	-5,250	-1,500	
Others	-1,410	-2,281	-2,641	-2,366	-2,179	
Financing Cash Flow	2,971	2,172	-3,318	-7,616	-3,679	
Inc / Dec (-) in Cash	425	3,241	-2,121	488	280	
Opening Cash Balance	1,440	1,865	5,106	2,986	3,473	
Closing Cash Balance	1,865	5,106	2,986	3,473	3,753	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	33,697	38,125	41,290	48,615	54,026	
Share Capital	1,404	1,404	1,404	1,404	1,404	
Reserves & Surplus	32,294	36,721	39,886	47,212	52,622	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	9,973	14,427	13,750	8,500	7,000	
Def. Tax Liab. / Assets (-)	-683	-891	-891	-891	-891	
Total - Equity & Liab.	42,988	51,661	54,149	56,224	60,135	
Net Fixed Assets	3,107	3,295	3,352	3,485	3,864	
Gross Fixed Assets	8,080	9,577	10,677	11,977	13,677	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	5,258	6,304	7,347	8,514	9,835	
Capital WIP	285	22	22	22	22	
Investments	13,537	14,842	14,842	14,496	14,496	
Current Assets	54,242	68,311	74,855	79,224	88,404	
Inventories	2,984	4,327	5,466	6,713	7,508	
Sundry Debtors	11,490	14,281	17,613	17,668	20,589	
Cash & Bank Balances	1,865	5,106	2,986	3,473	3,753	
Loans & Advances	10,005	12,374	13,874	19,374	20,239	
Other Current Assets	27,898	32,224	34,917	31,996	36,316	
Current Liab. & Prov.	27,897	34,787	38,900	40,981	46,630	
Current Liabilities	15,247	20,531	20,967	21,786	24,536	
Provisions & Others	12,650	14,257	17,933	19,195	22,094	
Net Current Assets	26,345	33,524	35,955	38,243	41,774	
Total - Assets	42,988	51,661	54,149	56,224	60,135	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Margin	5.1%	3.5%	3.9%	5.4%	5.5%	
Asset Turnover (x)	1.5	1.5	1.4	1.5	1.6	
Leverage Factor (x)	1.4	1.4	1.4	1.3	1.2	
RoE	10.6%	7.5%	8.0%	10.4%	10.5%	

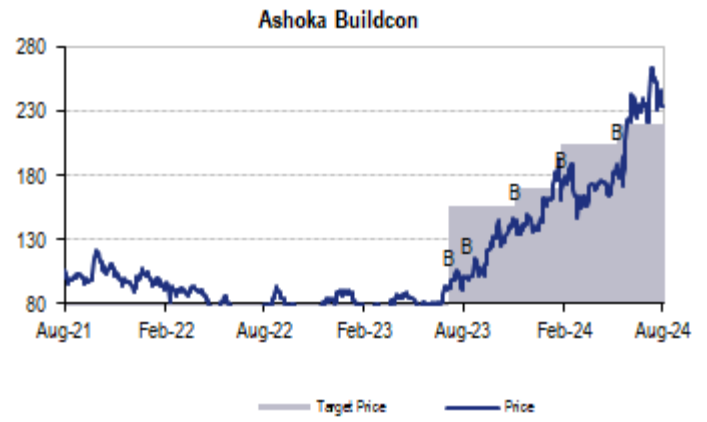
Key Ratios						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
BV/Share (₹)	120.0	135.8	147.1	173.2	192.5	
ROIC	9.5%	7.8%	9.1%	12.2%	13.9%	
ROE	10.6%	7.5%	8.0%	10.4%	10.5%	
Net Debt/Equity (x)	0.2	0.2	0.3	0.1	0.1	
P/E (x)	6.9	12.7	20.8	14.1	12.1	
P/B (x)	0.7	0.9	1.6	1.4	1.2	
EV/EBITDA (x)	5.7	7.5	11.0	7.8	6.6	
EV/Sales (x)	0.5	0.6	1.0	0.8	0.7	
Debtor days	66	67	80	75	76	
Inventory days	17	20	25	28	28	
Creditor days	71	86	86	86	86	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
20-Jul-23	Buy	155	
22-Aug-23	Buy	155	0.1
18-Nov-23	Buy	170	9.6
13-Feb-24	Buy	205	20.2
23-May-24	Buy	220	7.6

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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* REITs refers to Real Estate Investment Trusts.

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