

Execution to be weak in FY21...

Ashoka Buildcon's (ABL) revenues de-grew 4% YoY to ₹ 1255 crore on account of Covid-19 impact. Reported EBITDA margin was up 440 bps YoY to 18.2%, mainly on account of provision write back of ₹ 100 crore-largely led by Kharar project and power transmission verticals. RPAT grew 56.3% YoY to ₹ 164.2 crore due to lower tax rate and higher reported EBITDA.

Order book at ₹ 8,379 crore as of Q4FY20

ABL's order book (OB) was at ₹ 8,379 crore, implying OB-to-bill ratio of 2.1x TTM revenues. Of this, road projects comprise ₹ 6,717 crore, (HAM projects: ₹ 4,324 crore, EPC projects: ₹ 2,393 crore), power T&D ~₹ 699 crore, Railways ₹ 903 crore, CGD ₹ 60 crore. Standalone debt was at ₹ 399.6 crore. We note that this OB does not include Tumkur-Shivamogga - III HAM project worth ₹ 601.7 crore. The company expects ₹ 3,000-4,000 crore order inflow in FY21, driven by NHAI, UP's Ganga expressway bid pipeline of ₹ 70000 crore, ₹ 22000 crore, respectively. However, given the financial crunch, Covid-19 impact, ordering could be back-ended and lower than expected. We bake in order inflow of ₹ 4000 crore each in FY21, FY22. On the execution front, the company expects flattish EPC revenues at best in FY21 given the Covid-19 led labour scarcity impact and monsoon, thereafter. Overall, we conservatively build in construction revenue growth at 4% CAGR to ₹ 4,248 crore in FY20-22E, with expectation of 10% revenue decline in FY21.

Covid-19 impact on execution, asset monetisation

The company indicated that both execution and tolling activities got impacted by the Covid-19 led lockdown. Availability of labour and raw material were the key area of issues at construction sites. ABL is currently operating at 50- 65% of required workforce. Also, given the monsoon from July onwards, full capacity resumption could be only by Q3FY20, in our view. On the positive side, tolling has reached 85% of pre-Covid-19 level within three week of resumption. Most importantly, Covid-19-led disruption has put monetisation plans of ACL assets on hold. Given this situation, we believe there could be a downward revision in valuations and even a prolonged delay in deal fructification, thereby allowing SBI-Macquarie exit overhang to persist.

Valuation & Outlook

SBI-Macquarie stake exit remains the key overhang on the company. The monetisation could hit a roadblock in the near term given the overall economic challenges. Moreover, we expect ABL's execution to be impacted by Covid-19 impact. We conservatively build in construction revenue growth at 4% CAGR to ₹ 4,248 crore in FY20-22E. We reinstate our ratings (earlier suspended). We have a **HOLD** recommendation on the stock with an SoTP-based target price of ₹ 60/share.

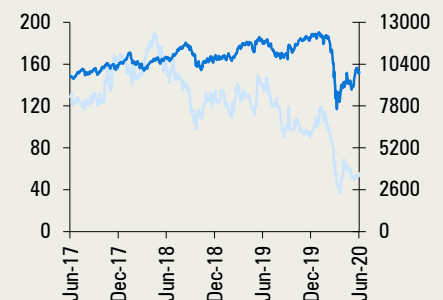


Particulars	
Particular	Amount (₹crore)
Market Capitalization	1,652.0
Total Debt	5,735.8
Cash	234.2
EV	7,153.6
52 week H/L (₹)	151 / 37
Equity capital	140.4
Face value	₹5

Key Highlights

- Order book is at ₹ 8,379 crore as of Q4FY20, implying an order book-to-bill ratio of 2.1x TTM revenues
- Given the Covid-19 impact and labour scarcity, the company expects construction revenues to be flattish in FY21
- We reinstate our ratings (earlier suspended). We have a HOLD recommendation with SoTP-based target price of ₹ 60/share

Price Chart



Research Analyst

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Key Financial Summary

₹crore	FY18	FY19	FY20	FY21E	FY22E	CAGR FY20-22E
Net Sales	3601.0	4930.1	5070.5	4709.7	5532.1	4.5%
EBITDA	1139.5	1394.3	1575.2	1396.2	1595.8	0.7%
EBITDA Margin (%)	31.6	28.3	31.1	29.6	28.8	
PAT	-118.7	26.7	165.3	-106.3	118.2	-15.4%
EPS (₹)	-4.2	-1.2	5.9	-3.8	4.2	
P/E (x)	-13.9	-49.4	10.0	-15.5	14.0	
EV/EBITDA (x)	5.5	5.0	4.3	5.2	4.5	
RoNW (%)	-37.6	-11.7	40.0	-34.6	27.8	
RoCE (%)	11.5	13.9	15.1	13.0	14.8	

Exhibit 1: Variance Analysis

Particulars	Q4FY20	Q4FY20E	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	Comments
Income from Operations	1,254.8	1,349.1	1,307.4	-4.0	983.6	27.6	
Other Income	34.6	39.9	38.0	-8.9	36.9	-6.3	
Operating Expenses	906.3	1,065.8	1,052.6	-13.9	773.4	17.2	
Employee Expenses	42.4	80.9	41.2	3.1	52.9	-19.8	
Other expenditure	77.1	54.0	32.3	138.6	32.9	134.5	
EBITDA	228.9	148.4	181.3	26.3	124.3	84.1	
EBITDA Margin(%)	18.2	11.0	13.9	438 bps	12.6	560 bps	Margins beat on account of provision write back of ₹100 crore-largely led by Kharar project and power transmission verticals
Depreciation	29.0	28.4	26.0	11.8	28.4	2.4	
Interest	20.9	22.8	36.7	-42.9	20.0	4.7	
PBT	213.6	137.2	156.6	36.4	112.9	89.1	
Taxes	49.3	45.3	51.6	-4.4	27.4	80.2	
PAT	164.2	91.9	105.1	56.3	85.5	92.0	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

Particulars (₹ Crore)	FY19	FY20	FY21E		FY22E	Comments	
			Old	New	% Change		Introduced
Revenue	4,930.1	5,070.5	5,815.0	4,709.7	-19.0	5,532.1	Incorporate weak EPC growth and lower toll collection in FY 21
EBITDA	1,394.3	1,575.2	1,803.0	1,396.2	-22.6	1,595.8	
EBITDA Margin (%)	28.3	31.1	31.0	29.6	-136 bps	28.8	
PAT	-33.5	165.3	59.8	-106.3	NA	118.2	
Diluted EPS (₹)	-1.2	5.9	-1.4	-3.8	NA	4.2	

Source: Company, ICICI Direct Research

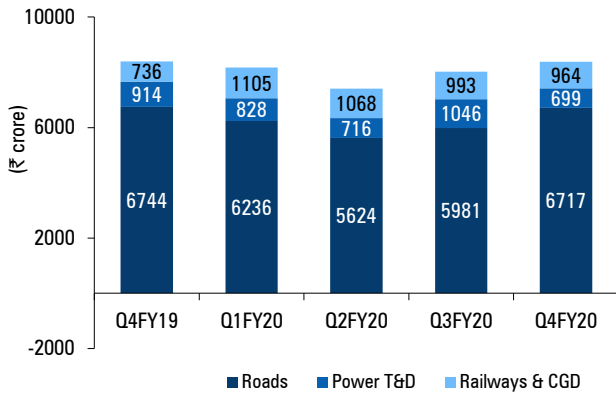
Exhibit 3: Assumptions

EPC	FY16	FY17	FY18	FY19	FY20	Current FY21E	Current FY22E	Earlier FY21E	Comments
Order Inflow	2,822	3,926	4,358	6,300	3,922	4,000	4,000	4,000	We tweak our estimates
Order Backlog	4,111	7,005	5,849	8,394	8,379	9,434	9,186	9,448	

Source: Company, ICICI Direct Research

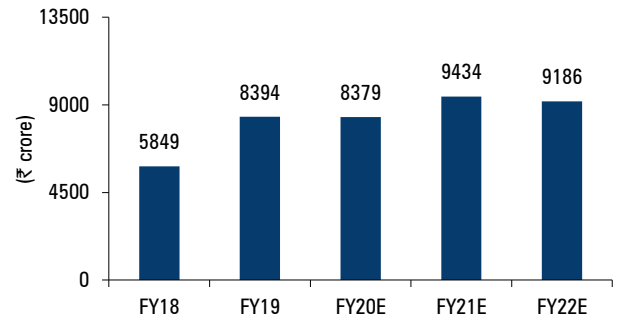
Company Analysis

Exhibit 4: Quarterly order book trend



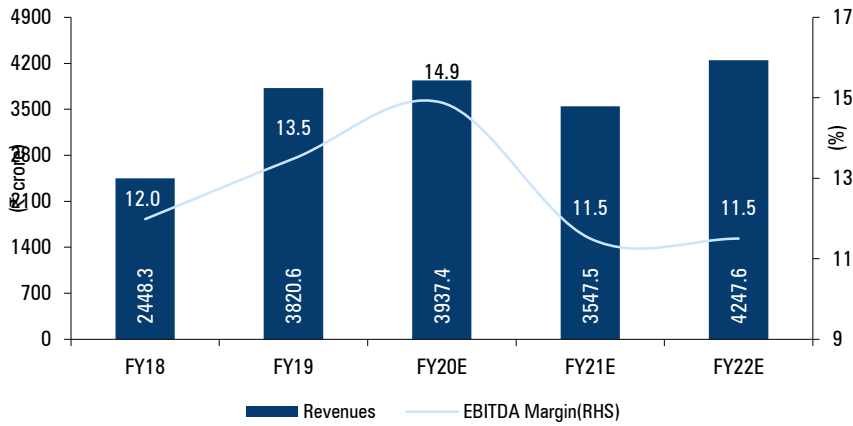
Source: Company, ICICI Direct Research

Exhibit 5: Annual order book trend



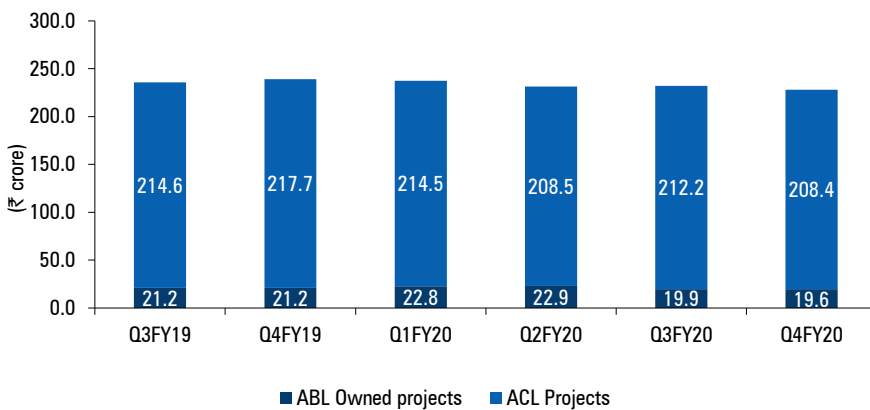
Source: Company, ICICI Direct Research

Exhibit 6: Annual EPC revenue and EBITDA margin trend



Source: Company, ICICI Direct Research

Exhibit 7: Gross toll collection trend



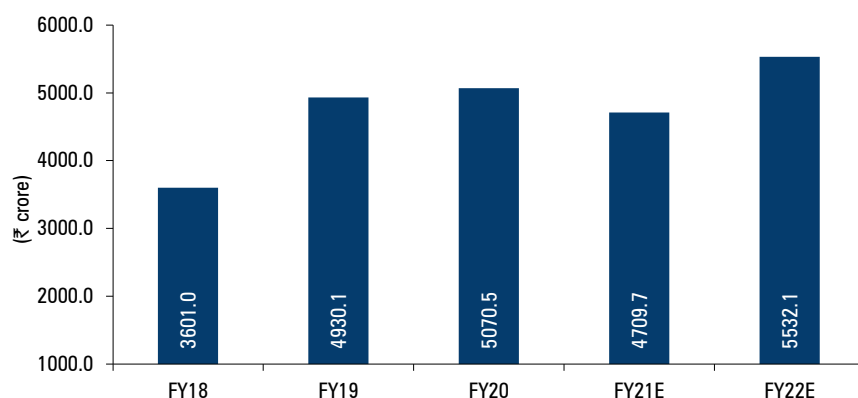
Source: Company, ICICI Direct Research

Exhibit 8: Quarterly gross toll collection trend

(₹ crore)	Q4FY20	Q3FY20	Q2FY20	Q1FY20	Q4FY19	YoY (%)	QoQ (%)
ABL Owned Projects							
Ahmednagar - Aurangabad	5.9	6.1	9.7	8.4	7.5	-20.4%	-36.7%
Wainganga Bridge	7.5	7.4	7.2	7.7	7.9	-4.4%	1.9%
Katni Bypass	5.2	5.4	5.0	6.0	5.4	-3.0%	8.8%
Others #	0.9	1.0	1.1	0.8	0.5	77.4%	-8.5%
Sub-total	19.6	19.9	22.9	22.8	21.2	-7.6%	-13.3%
Sub-total (like-to-like basis)	18.7	18.9	21.9	22.0	20.7	-9.8%	-13.6%
ACL Projects							
Belgaum Dharwad	22.6	23.4	21.3	23.7	23.5	-3.6%	10.1%
Dhankuni – Kharagpur	87.9	90.6	91.5	90.5	88.4	-0.6%	-1.0%
Bhandara	18.2	18.0	16.8	17.4	17.8	2.6%	6.7%
Durg	20.1	20.0	19.0	19.8	20.7	-2.9%	4.9%
Jaora – Nayagaon	42.4	43.9	43.2	46.0	49.0	-13.5%	1.4%
Pimpalgaon – Nashik – Gonde	-	-	-	-	-	-	-
Sambalpur	17.3	16.4	16.6	17.1	18.4	-6.0%	-1.0%
Sub-total	208.4	212.2	208.5	214.5	217.7	-4.2%	1.8%
Sub-total (like-to-like basis)	208.4	212.2	208.5	214.5	217.7	-4.2%	1.8%
Grand Total	228.0	232.1	231.4	237.3	238.9	-4.5%	0.3%
(Grand total) like-to-like basis	227.1	231.1	230.3	236.5	238.4	-4.7%	0.3%

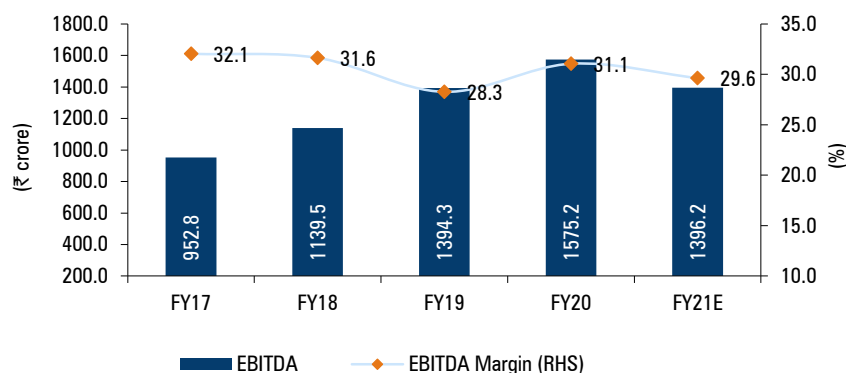
Source: ICICI Direct Research, Company

Exhibit 9: Consolidated revenue trend



Source: Company, ICICI Direct Research

Exhibit 10: Consolidated EBITDA margin trend



Source: Company, ICICI Direct Research

Valuation & Outlook

The SBI-Macquarie stake exit remains the key overhang on the company. The monetisation could hit a roadblock in the near term given the overall economic challenges. Moreover, we expect ABL's execution to be impacted by Covid-19. We conservatively build in construction revenue growth at 4% CAGR to ₹ 4,248 crore in FY20-22E. We reinstate our ratings (earlier suspended). We have a **HOLD** recommendation on the stock with an SoTP-based target price of ₹ 60/share.

Exhibit 11: ABL valuation

Project Name	Stake (%)	Length (km)	TPC (₹ crore)	Debt (₹ crore)	Equity (₹ crore)	Eq share (₹ crore)	CoE(%)	ABL Equity Value (₹)	Value/share (₹)
Ashoka Buildcon Limited (ABL) - BOT									
Aurangabad - Ahmednagar	100.0	42.0	102.7	35.7	67.0	67.0	14.0	0.0	0.0
Katni Bypass	99.9	17.6	70.9	53.5	17.4	17.4	14.0	62.0	2.2
Nashirabad ROB	100.0	4.0	14.7	13.3	1.5	1.5	14.0	4.0	0.1
Sheri Nallah Bridge	100.0	4.0	14.2	7.2	7.0	7.0	14.0	0.0	0.0
Dhule Bypass	99.9	6.0	5.8	5.2	0.6	0.6	14.0	8.4	0.3
Dewas Bypass	100.0	20.0	61.3	36.0	25.3	25.3	14.0	64.2	2.3
Indore Edalabad	99.7	203.0	165	101.5	63.5	63.3	14.0	450.2	16.0
Wainganga Bridge	50.0	13.0	40.9	35.0	5.9	3.0	14.0	91.7	3.3
FOB Eastern Expressway	100.0	NA	3.7	1.8	2.0	2.0	14.0	0.7	0.0
KSHIP	51.0	110.0	471.0	287.0	47.0	24.0	14.0	58.1	2.1
Total (ABL)-BOT (A)		419.6	950.2	576.1	237.1	210.9		739.3	26.3
EPC (B)	100.0			3x FY 22E EV/EBITDA				1465.4	52.2
ACL stake valuation (C)	61.0					50% Holding company Discount		231.1	8.2
Less Standalone debt (D) - FY22								700.0	24.9
Total SoTP Valuation (A+B+C-D)								1735.8	61.8
Rounded off Target Price									60.0

Source: Company, ICICI Direct Research

Exhibit 12: ACL valuation

Project Name	Stake (%)	Length (km)	TPC (₹ crore)	Debt (₹ crore)	Equity (₹ crore)	ACL share (₹)	CoE(%)	ACL Equity Value
Ashoka Concession Limited (ACL)								
Bhandara	51.0	82.6	528.0	354.5	173.5	60.0	14.0	-55.7
Durg Chhattisgarh	51.0	71.1	630.5	410.0	220.5	100.2	14.0	54.7
Jaora Nayagaon	46.2	85.1	865.1	554.5	310.6	69.0	14.0	616.3
Belgaum Dharwad	100.0	82.0	694.1	479.0	185.0	185.0	14.0	320.9
Sambalpur Baragarh	100.0	88.0	1142.2	810.0	332.2	332.2	14.0	-114.8
Dankuni Kharagpur	100.0	11.6	2205.2	1516.2	689.0	689.0	14.0	923.1
Chennai ORR	50.0	32.0	1450.0	1080.0	173.0	86.5	14.0	243.9
ACL Valuation		452.4	7515.0	5204.2	2083.8	1521.8		1988.3
SBI-Macquarie payout								1526
ACL stake (%)								61.0
Residual ACL stake value								462.3

Source: Company, ICICI Direct Research

Financial summary

Exhibit 13: Profit and loss statement				
	₹ crore			
(₹Crore)	FY19	FY20	FY21E	FY22E
Net Sales	4930.1	5070.5	4709.7	5532.1
Other income	77.1	81.7	91.1	98.8
Total Revenue	5007.2	5152.2	4800.8	5630.9
Raw Material Expense	155.9	181.6	196.8	278.9
Operating Expenditure	1683.3	1861.1	1762.1	2066.7
Cost of materials sold	1508.3	1159.4	1076.9	1264.9
Employee benefit expenses	188.4	293.3	277.7	325.7
Total Operating Expenditure	3535.8	3495.3	3313.5	3936.3
EBITDA	1394.3	1575.2	1396.2	1595.8
Interest	1021.3	1042.6	1061.7	1047.6
Depreciation	258.2	299.8	337.2	419.8
Other income	77.1	81.7	91.1	98.8
PBT	131.7	314.6	88.4	227.2
Taxes	170.9	165.9	215.8	144.0
PAT before MI	-39.2	148.7	-127.4	83.2
Minority Interest	-6.8	-5.0	0.0	0.0
Share of Profit from Associate	-1.0	11.7	21.1	35.0
PAT	-33.5	165.3	-106.3	118.2
Adjusted EPS (Diluted)	-4.2	-1.2	5.9	-3.8

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(₹Crore)	FY19	FY20	FY21E	FY22E
Profit after Tax	(33.5)	165.3	(106.3)	118.2
Depreciation	258.2	299.8	337.2	419.8
Interest	1,021.3	1,042.6	1,061.7	1,047.6
Others	(154.2)	(163.5)	(182.2)	(197.5)
Cash Flow before wc chang	1,339.9	1,591.8	1,417.3	1,630.9
Changes in WC	(1,402.0)	(109.7)	(429.2)	(294.8)
Taxes Paid	(170.9)	(166.6)	(215.8)	(144.0)
Net CF from operating act	(233.0)	1,315.5	772.3	1,192.0
(Purchase)/Sale of Fixed Assets	(268.9)	(143.9)	(68.9)	(126.6)
Change in Others - Premium f	66.7	49.7	(325.0)	(231.5)
Net CF from Investing acti	(95.7)	(24.3)	(302.8)	(259.4)
Increase/Decrease in NW	4.4	(38.5)	-	-
Increase/Decrease in Debt	802.3	80.4	229.6	(331.6)
Interest Paid	(1,021.3)	(1,042.6)	(1,061.7)	(1,047.6)
Change in Minority Interest	25.3	9.0	106.8	158.2
Net CF from Financing act	(189.3)	(991.7)	(725.4)	(1,221.0)
Net Cash flow	(518.1)	299.6	(255.9)	(288.3)
Opening Cash	253.2	234.2	754.4	498.5
Closing Cash/ Cash Equiv	234.2	754.4	498.5	210.1

Source: Company, ICICI Direct Research

Exhibit 15: Balance sheet				
	₹ crore			
(₹Crore)	FY19	FY20	FY21E	FY22E
Liabilities				
Equity Capital	140.4	140.4	140.4	140.4
Reserve and Surplus	146.5	273.3	167.0	285.2
Total Shareholders funds	286.9	413.7	307.3	425.6
Minority Interest	119.0	128.0	234.8	393.0
Total Debt	5,735.8	5,816.2	6,045.8	5,714.1
Deferred Tax Liability	0.7	-	-	-
Other- NHA1 Premium Payab	2,558.3	2,608.0	2,283.0	2,051.4
Total Liabilities	9,195	10,182	10,498	10,403
Assets				
Gross Block	9,621.0	9,569.2	9,375.4	9,405.3
Less Acc. Dep	1,731.0	1,793.1	1,867.7	2,190.8
Net Block	7,890.0	7,776.0	7,507.7	7,214.5
Capital WIP	41.9	-	-	-
Total Fixed Assets	7,931.9	7,776.0	7,507.7	7,214.5
Investments	283.5	185.8	185.8	185.8
Inventory	426.5	434.8	407.4	478.5
Sundry Debtors	1,316.4	1,083.0	1,177.4	1,383.0
Loans & Advances	244.8	257.5	1,224.5	1,438.3
Cash & Bank Balances	234.2	754.4	498.5	210.1
Other Current Assets	212.2	413.3	202.7	238.1
Total Current Assets	2,434.1	2,942.9	3,510.5	3,748.1
Other Current Liabilities	3,398.7	3,460.3	3,246.8	3,813.7
Provisions	835.3	888.2	888.2	888.2
Net Current Assets	(1,800.0)	(1,405.6)	(624.4)	(953.7)
Total Assets	9,195	10,182	10,498	10,403

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
	FY19	FY20	FY21E	FY22E
Per Share Data (₹)				
EPS - Diluted	(1.2)	5.9	(3.8)	4.2
Cash EPS	8.0	16.6	8.2	19.2
Book Value	10.2	14.7	10.9	15.2
Operating Ratios (%)				
EBITDA / Net Sales	28.3	31.1	29.6	28.8
PAT / Net Sales	0.5	3.3	(2.3)	2.1
Inventory Days	31.6	31.3	31.6	31.6
Debtor Days	97.5	78.0	91.3	91.3
Return Ratios (%)				
RoNW	(11.7)	40.0	(34.6)	27.8
RoCE	13.9	15.1	13.0	14.8
RoIC	14.2	16.3	13.2	15.0
Valuation Ratios (x)				
EV / EBITDA	5.0	4.3	5.2	4.5
P/E (Diluted)	NA	NA	NA	14.0
EV / Net Sales	1.4	1.3	1.5	1.3
Market Cap / Sales	0.3	0.3	0.4	0.3
Price to Book Value (Diluted)	5.8	4.0	5.4	3.9
Solvency Ratios (x)				
Net Debt / Equity	18.8	12.2	18.0	12.9
Debt / EBITDA	4.1	3.7	4.3	3.6
Current Ratio	1.0	0.9	1.2	1.2
Quick Ratio	0.8	0.7	1.0	1.0

Source: Company, ICICI Direct Research

Exhibit 17: ICICI Direct coverage universe (Roads)

Sector / Company	CMP		M Cap (₹ Cr)	EPS (₹)			P/E (x)			/EBITDA (x)			P/B (x)			RoE (%)			
	(₹)	TP (₹)		Rating	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
KNR Constructions (KNRC)	218	240	Buy	3,061	18.7	16.0	10.0	11.2	13.1	20.9	7.4	6.4	8.1	2.1	1.8	1.7	18.6	13.9	8.0
PNC Infratech (PNCINF)	128	125	Buy	3,271	11.9	15.9	12.7	10.7	8.0	10.0	6.4	4.4	5.0	1.4	1.2	1.0	14.4	16.4	11.7
Ashoka Buildcon (ASHBU)	59	60	Hold	1,652	-1.2	5.9	-3.8	NA	10.0	NA	5.0	4.3	5.2	5.8	4.0	5.4	NM	40	NM
NCC (NAGCON)	28	27	Hold	1,708	9.4	6.3	3.1	3.0	4.4	9.0	2.3	3.1	3.8	0.1	0.2	0.2	11.9	7.5	3.5

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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