

Ashoka Buildcon (ASBL)

Construction | 4QFY24 Result Update

BUY

CMP: Rs189 | Target Price (TP): Rs220 | Upside: 16%

May 23, 2024

Maintain positive outlook

- EBITDA grew by ~24% YoY (Act/Est.: Rs1,859mn/Rs2,363mn) and it was lower than NBIE estimate due to higher cost of raw materials, employees and other expenses, which grew by 49%, 26% and ~54% YoY, respectively.
- The management has guided for revenue growth 15% for FY25.
 - EBITDA margin will be in the range of 9-9.5% in FY25 and improve further to 11-11.5% by FY26-end.
 - Order inflows worth Rs120-150bn in FY25 to come from both the Central as well as State governments.
 - The proceeds from monetization is to be used to give exit to SBI Macquarie and reduce debt (50% reduction in working capital debt expected).
- The company prioritizes sustainable EPC business in highways, railways, power transmission and distribution. NBIE maintains BUY on Ashoka Buildcon with a TP of Rs220, valuing it at a P/E of 6x (assigned a higher multiple) on Dec'25E EPS and BOT/HAM projects on a 0.7x P/B basis.

FY24/4QFY24 performance update: In FY24, the NHAI completed the construction of 6,644km of roads while awarding activity remained sluggish with only 8,551km awarded. However, construction activities are anticipated to pick up pace post-2QFY25 following the conclusion of Lok Sabha elections and the usual slowdown during the monsoon season. The company recorded a total order inflow of ~Rs19.5bn in FY24. In 4QFY24, it reported revenue of Rs24.9bn, up 22.3% YoY. Operating expenses increased by 22.2% YoY, driven primarily by a rise in the cost of materials consumed (up 49% YoY) and increase in other expenses (up 53.9% YoY). EBITDA stood at Rs1.9bn, reflecting a growth of 23.8% YoY and EBITDA margin remained flat at 7.4%. Exceptional gain of Rs2.2bn was on account of gains on the sale of stake held in Unison Enviro to Mahanagar Gas. The adj. PAT reached Rs516mn, down by 39.4% YoY. The gross toll collection for both ACL and ABL-owned projects amounted to Rs3.3bn (up 9.8% YoY).

Order book update: The company's order book, as of March'24, stood at ~Rs117bn. Roads and Railway projects constitute the majority, representing ~Rs62.1bn or 53% of the total order book. Specifically, the breakdown reveals that highway projects under the HAM model are valued at Rs9.1bn while EPC road projects are valued at Rs44.3bn and railway projects total ~Rs8.8bn. Power Transmission & Distribution contribute ~Rs48bn, comprising ~41% of the total order book. Lastly, orders in the EPC building segment amount to Rs6.9bn, representing 5.8% of the total order book.

Assets business update: The company presently manages a portfolio of 17 construction projects. Among these, 11 projects are under the HAM model, with 9 achieving their COD or PCOD status, while 2 are under construction. Progress is underway for the signing of SPA for 11 HAM projects, which is expected to be completed by June 2024. Additionally, the BOT portfolio comprises 6 projects. The collective equity requirement for all HAM projects is Rs11bn, with an estimated total equity infusion of Rs1.5bn. Gross toll collection for both ACL and ABL-owned projects reached Rs3.3bn in 4QFY24, marking a 9.8% YoY increase. The company has also secured significant projects, including the design and construction of the Stilt Bridge for the Navi Mumbai International Airport and has completed the sale of Unison Enviro Private Limited to Mahanagar Gas Limited. Furthermore, it has acquired 50% stake held by GVR Infra Projects Limited in GVR Ashoka Chennai ORR Limited. This acquisition makes GVR Ashoka Chennai ORR Limited a 100% subsidiary of Ashoka Buildcon Ltd. The company has also received provisional COD for the NHAI project involving the six-laning of the Belgaum-Khanapur section of NH-4A and completion certificate for the HAM project for the 8-lane Vadodara Kim Expressway.

Est Change	Downgrade
TP Change	No Change
Rating Change	Maintain

Company Data and Valuation Summary

Reuters	ABDL.BO
Bloomberg	ASBL IN Equity
Market Cap (Rsbn / US\$m)	53.1 / 636.4
52 Wk H / L (Rs)	198 / 75
ADTV-3M (mn) (Rs / US\$)	321.2 / 3.9
Stock performance (%) 1M/6M/1yr	8.1 / 36.4 / 139.6
Nifty 50 performance (%) 1M/6M/1yr	3.7 / 4.1 / 25.6

Shareholding	2QFY24	3QFY24	4QFY24
Promoters	54.5	54.5	54.5
DII's	20.0	19.7	17.6
FII's	3.0	4.5	7.2
Others	22.6	21.3	20.7
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY23	FY24	FY25E	FY26E
Revenue	63,619	77,267	85,400	99,064
Growth YoY%	37.5%	21.5%	10.5%	16.0%
EBITDA	5,232	5,765	7,708	11,158
EBITDA margin %	8.2	7.5	9.0	11.3
Adj PAT	3,218	2,259	5,229	8,845
Growth YoY%	(35.2%)	(29.8%)	131.5%	69.1%
Adj EPS	11.5	8.0	18.6	31.5
RoE	10.6	6.7	14.4	20.4
ROCE(%)	10.4	7.9	12.8	16.7
EV/EBITDA	10.1	9.1	6.8	4.7
P/E(x)	16.5	23.5	10.2	6.0

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Key Links :

[4QFY24 Investor PPT](#)

Please refer to the disclaimer towards the end of the document.

Exhibit 1: 4QFY24 standalone performance

Particulars (Rsmn)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	FY23	FY24
Revenue	14,790	12,803	15,591	20,435	15,321	15,613	21,335	24,998	63,619	77,267
YoY Change (%)	46.2%	39.6%	41.3%	28.1%	3.6%	21.9%	36.8%	22.3%	37.5%	21.5%
Expenditure										
Cost of Materials Consumed	5,721	5,060	5,945	7,535	5,748	6,971	10,486	11,224	24,261	34,430
Employee Cost	426	512	507	470	555	579	603	594	1,915	2,331
Other Expenses	7,198	6,111	7,973	10,930	8,315	6,623	8,481	11,322	32,211	34,741
Total Operating Expenses	13,344	11,683	14,425	18,934	14,618	14,174	19,570	23,139	58,387	71,502
EBITDA	1,446	1,119	1,166	1,501	702	1,439	1,765	1,859	5,232	5,765
YoY Change (%)	20.6%	6.1%	(3.4)%	(21.8)%	(51.4)%	28.5%	51.4%	23.8%	(2.7)%	10.2%
Margin (%)	9.8%	8.7%	7.5%	7.3%	4.6%	9.2%	8.3%	7.4%	8.2%	7.5%
Depreciation	168	182	199	193	222	247	276	302	742	1,046
Interest	198	361	387	465	514	527	620	620	1,410	2,281
Other income	312	297	309	240	253	284	284	327	1,158	1,148
Extraordinary Items	-	-	-	3,495	-	-	1	2,168	3,495	2,169
PBT (bei)	1,393	873	889	1,083	219	949	1,153	1,264	4,238	3,586
PBT	1,393	873	889	4,578	219	949	1,154	3,432	7,733	3,586
Tax	349	219	222	230	55	237	287	748	1,020	1,327
ETR (%)	25.1%	25.0%	24.9%	5.0%	25.1%	25.0%	24.9%	21.8%	13.2%	37.0%
Reported PAT	1,043	655	667	4,348	164	712	867	2,685	6,713	2,259
Adj. PAT	1,043	655	667	853	164	712	866	516	3,218	2,259
YoY Change (%)	(44.5)%	(37.3)%	1.9%	27.8%	20.9%	6.6%	16.8%	6.3%	NA	(29.8)%
Adj. EPS	3.7	2.3	2.4	3.0	0.6	2.5	3.1	1.8	11.5	8.0

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Detailed financials

Y/E March (Rs mm)	4QFY23	3QFY24	4QFY24	YoY (%)	QoQ (%)	Estimates	Variance (%)	FY23	FY24	YoY (%)
Net Sales	20,435	21,335	24,998	22.3	17.2	22,479	11.2	63,619	77,267	21.5
Expenditure										
Cost of Materials Consumed	7,535	10,486	11,224	49.0	7.0	-	-	24,261	34,430	41.9
Construction expense	10,507	8,179	10,671	1.6	30.5	-	-	30,987	32,632	5.3
Employee Cost	470	603	594	26.4	(1.5)	-	-	1,915	2,331	21.7
Other Expenses	423	302	650	53.9	115.7	-	-	1,225	2,109	72.2
Total Operating Expenses	18,934	19,570	23,139	22.2	18.2	-	-	58,387	71,502	22.5
EBITDA	1,501	1,765	1,859	23.8	5.3	2,363	(21.3)	5,232	5,765	10.2
EBITDA Margin (%)	7.3%	8.3%	7.4%	9bps	(84)bps	10.5%	(308)bps	8.2%	7.5%	(76)bps
Other Income	240	284	327	36.1	15.0	-	-	1,158	1,148	(0.9)
Interest Costs	465	620	620	33.4	(0.0)	-	-	1,410	2,281	61.8
Depreciation	193	276	302	56.0	9.3	-	-	742	1,046	41.0
PBT	1,083	1,153	1,264	16.7	9.6	-	-	4,238	3,586	(15.4)
Tax	230	287	748	224.5	160.2	-	-	1,020	1,327	30.1
Exceptional Items	3,495	1	2,168	-	-	-	-	3,495	2,169	(37.9)
Reported PAT	4,348	867	2,685	(38.3)	209.8	1,387	93.6	6,713	4,428	(34.0)
Adjusted PAT	7,843	866	516	(93.4)	(40.4)	-	-	3,218	2,259	(29.8)
NPM (%)	21.3%	4.1%	2.1%	(192)bps	(200)bps	6.2%	(410)bps	5.1%	2.9%	(213)bps
EPS (Rs.)	3.0	3.1	1.8	(39.4)	(40.4)	4.9	(62.8)	11.5	8.0	(29.8)

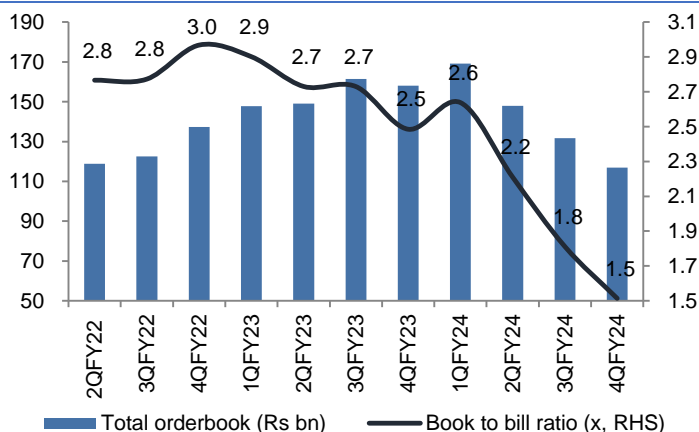
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Change in estimates

Particulars (Rs mn)	FY25E			FY26E		
	Old	New	Change (%)	Old	New	Change (%)
Revenue	86,214	85,400	(0.9)	99,573	99,064	(0.5)
EBITDA	8,980	7,708	(14.2)	13,397	11,158	(16.7)
PAT	6,018	5,229	(13.1)	10,052	8,845	(12.0)

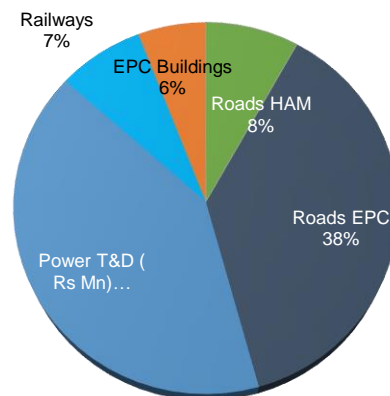
Source: Nirmal Bang Institutional Equities Research

Exhibit 4: Book-to-bill ratio



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: Sectoral break-up of order book



Source: Company, Nirmal Bang Institutional Equities Research

4QFY24 concall highlights (ASHOKA)

Status of the Construction sector

- During FY24, highway construction reached 12,349km, marking a notable 20% increase vs FY23, but it was short of the annual target of 13,814km. Most of the construction, totaling 9,642km, involved lane augmentation while 2,707km were attributed to upgrading of existing road infrastructure.
- NHAI constructed 6,644km in FY24. Awarding activity remained sluggish in FY24 with 8,551km awarded in the same period.
- The industry expects a 5-8% increase in road construction for FY25, estimating construction of ~13,000km of roads. This growth is attributed to the numerous projects in the pipeline, increased government funding and the moRTH prioritizing project completion.
- Construction activities are expected to accelerate after 2QFY25 following the completion of Lok Sabha elections and typical slowdown during monsoon.

Financial performance

- Revenue increased by 22.3% YoY to ~Rs25bn.
- The company's EBITDA increased by 23.8% YoY to Rs18.6bn.
- EBITDA margin improved by 9bps YoY to 7.4%.
- Adjusted PAT came in at Rs516mn, down 39.4% YoY.

Order book details

- The company's order book as on 31st March'24 stood at ~Rs117bn.
- The break-up of the order book: Roads & Railway projects account for ~Rs62.1bn, which is 53% of the total order book.
- Among the Road projects, HAM projects are valued at Rs9.1bn. EPC projects amount to Rs44.3bn and Railway projects total ~Rs8.8bn.
- Power T&D account for ~Rs48bn, which is ~41% of the total order book.
- Total EPC Building segment orders amount to Rs6.9bn, which is 5.8% of the total order book.

Asset business

- The company currently has 17 construction projects in its portfolio.
- Among these, 11 projects belong to HAM and 9 projects have achieved their COD or PCOD while 2 projects are under UC.
- The company is in the advanced stage of signing SPA for 11 HAM projects, which should be signed by June'24.
- The BOT portfolio consists of 6 projects.
- The collective equity requirement for all HAM projects amounts to Rs10.97bn
- The company estimates total equity infusion of Rs1.5bn in HAM projects.
- Gross toll collection for both ACL and ABL-owned projects stood at Rs3.3bn in 4QFY24, up 9.8% YoY.
- The company has received LoA from CIDCO for design and construction of Stilt Bridge for the eastern connectivity of the Navi Mumbai International Airport (NMIA) in JV for total consideration of ~Rs6.6bn.
- ASBL along with an investment fund managed by Morgan Stanley India Infrastructure (MSII) has sold its 100% stake in Unison Enviro Private Limited, a subsidiary, to Mahanagar Gas Limited (MGL). The deal closed at an equity consideration of Rs5.6bn, with the company receiving Rs2.9bn for its 51% stake.

- The company has received a LOA for the project involving the 6-laning of the Aurangabad to Bihar-Jharkhand Border (Chordaha) section of NH-2 (PKG-1) in Bihar. This project, under the Bharatmala initiative and on an EPC mode, has a total consideration of Rs5.2bn.
- Ashoka Buildcon Limited has acquired the 50% stake held by GVR Infra Projects Limited in GVR Ashoka Chennai ORR Limited. This acquisition makes GVR Ashoka Chennai ORR Limited a 100% subsidiary of Ashoka Buildcon Limited.
- The company has received a provisional COD for its NHAI project involving the 6-laning of the Belgaum-Khanapur section of NH-4A in March'24. With the declaration of COD, the SPV is now eligible to receive an additional annuity from NHAI for a 15-year operation period, payable at 6-month intervals.
- The company has received completion certificate for its HAM project with the NHAI for the 8-lane Vadodara Kim Expressway. This project was executed by Ashoka Ankleshwar Manubar Expressway Private Limited (SPV). The SPV has been receiving the annuity amount from NHAI for 11.25km.

Guidance and capex

- The management has guided for revenue growth 15% for FY25.
- EBITDA margin guidance for FY25 stands at 9-9.5%, which shall further improve to 11-11.5% by FY26.
- PAT margin guidance for FY25 stands at 4-5%, depending on EBITDA margin.
- Order inflow expected for FY25 is Rs120-150bn. The orders are largely expected from both Central as well as State governments.
- The proceeds from monetization are to be used to give exit to SBI Macquarie and reduce debt (50% reduction in working capital debt expected).
- Capex for FY25 is expected at ~Rs1-1.1bn.

Others

- The company has a standalone debt of Rs14.5bn as of March'24. The management will reduce the working capital debt by ~50% through receipts of asset monetization.
- Exceptional gain of Rs2.2bn in FY24 was on account of gains on the sale of stake held in Unison Enviro to Mahanagar Gas.
- SBI Macquarie outstanding due stood at Rs15.2bn in March'24.
- Interest costs for the period includes Rs700mn attributed to interest on mobilization advances.
- The standalone cash balance as on 31st March'24 stood at Rs3.6bn.

Exhibit 6: Valuation summary

Particulars	(Rs)
March'26E PAT	8,845
Target Multiple (x)	6.0
Equity value (Rs mn)	53,072
No of shares (mn)	281
Value per share (Rs)	189
Value of Asset Business (Rs)	31
Target Price (Rs)	220
CMP (Rs)	189
Potential upside/(downside) (%)	16%

Source: Company, Nirmal Bang Institutional Equities Research

Financial statement

Exhibit 7: Income statement

Y/E March (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net sales	46,270	63,619	77,267	85,400	99,064
growth (%)	21.2	37.5	21.5	10.5	16.0
Operating expenses	40,890	58,387	71,502	77,692	87,906
EBITDA	5,380	5,232	5,765	7,708	11,158
growth (%)	3.6	(2.7)	10.2	33.7	44.8
Depreciation	697	742	1,046	901	947
EBIT	4,683	4,490	4,719	6,807	10,211
Interest paid	856	1,410	2,281	1,464	600
Other income	1,988	1,158	1,148	1,629	2,182
Pre-tax profit	5,815	4,238	3,586	6,972	11,794
Tax	851	1,020	1,327	1,743	2,948
Effective tax rate (%)	14.6	24.1	37.0	25.0	25.0
Exceptional items	7,696	(3,495)	2,169	-	-
Net profit	(2,731)	6,713	90	5,229	8,845
Adjusted net profit	4,965	3,218	2,259	5,229	8,845
growth (%)	21.6	(35.2)	(29.8)	131.5	69.1
Adjusted EPS	17.7	11.5	8.0	18.6	31.5

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Balance Sheet

Y/E March (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity Capital	1,404	1,404	1,404	1,404	1,404
Reserves and Surplus	25,584	32,294	32,383	37,613	46,458
Networth	26,987	33,697	33,787	39,016	47,862
Total Debt	5,593	6,469	7,586	7,036	5,814
Deferred tax liability	-	-	-	-	-
Other noncurrent liabilities	4,028	5,837	5,881	5,930	5,984
Trade Payables	8,080	10,204	12,145	12,771	14,450
Other Current Liabilities	8,148	14,126	16,332	17,647	19,856
Total Current Liabilities	17,052	25,141	29,310	31,286	35,225
Total liabilities	53,661	71,145	76,564	83,269	94,885
Net Block	2,789	2,822	2,887	3,002	3,159
CWIP	17	285	190	100	100
Investment	10,628	13,537	15,337	17,137	18,937
Other non-current assets	941	1,165	1,398	1,678	2,013
Inventories	1,877	2,984	3,722	3,831	4,335
Sundry Debtors	11,129	11,490	11,643	12,635	14,656
Cash and Bank	1,052	1,299	5,713	5,158	9,701
Other current assets	4,259	8,135	8,949	9,844	10,828
Total Current Assets	38,313	52,237	55,598	60,140	69,403
Total Assets	53,661	71,145	76,564	83,269	94,885

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Cash flow statement

YE March, Rs mn	FY22	FY23	FY24	FY25E	FY26E
EBIT	(1,025)	9,143	5,866	8,436	12,393
Add: Depreciation & Impairment	697	742	1,046	901	947
Cash flow from operations b4 WC	(1,938)	8,235	6,913	9,337	13,340
Net change in Working capital	(12,722)	(3,602)	5,266	(3,071)	(728)
Tax paid	(851)	(1,020)	(1,327)	(1,743)	(2,948)
Net cash from operations	(15,510)	3,613	10,851	4,523	9,664
Capital expenditure	(632)	(1,043)	(1,016)	(926)	(1,104)
Investments	14,762	(3,113)	(1,821)	(1,822)	(1,823)
Net cash from investing	15,589	(2,730)	(3,070)	(3,028)	(3,262)
Issue of shares	-	-	-	-	-
Increase in debt	1,206	876	1,116	(550)	(1,222)
Dividends paid incl. tax	-	-	-	-	-
Net cash from financing	(67)	(636)	(1,199)	(2,050)	(1,859)
Net Cash	12	247	6,583	(554)	4,543
Opening Cash	1,040	1,052	1,299	7,882	7,327
Closing Cash	1,052	1,299	7,882	7,327	11,870

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Key ratios

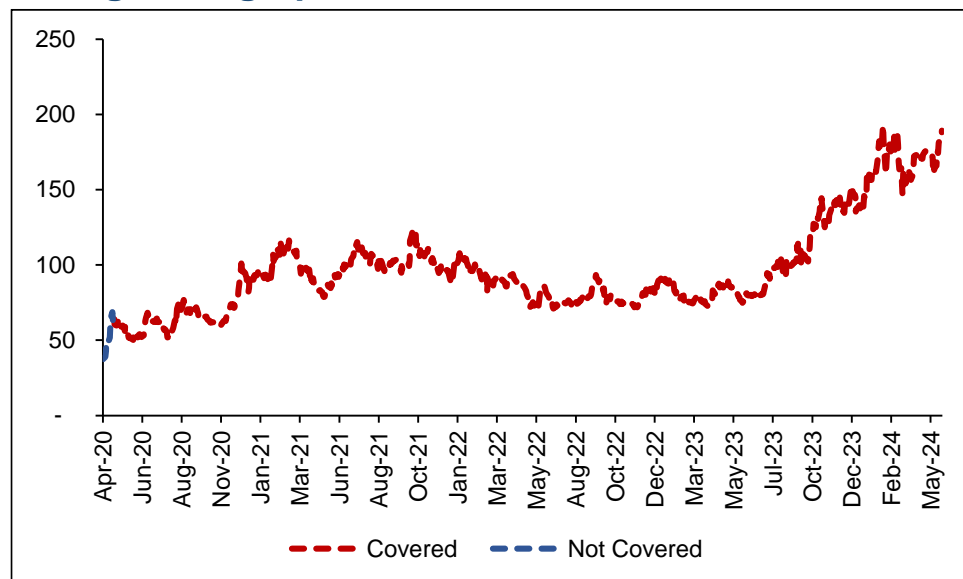
YE March	FY22	FY23	FY24	FY25E	FY26E
Adj EPS (Rs)	17.7	11.5	8.0	18.6	31.5
Adj EPS growth (%)	21.6	(35.2)	(29.8)	131.5	69.1
EBITDA margin (%)	11.6	8.2	7.5	9.0	11.3
Pre-tax margin (%)	12.6	6.7	4.6	8.2	11.9
ROE (%)	17.4	10.6	6.7	14.4	20.4
ROCE (%)	15.3	10.4	7.9	12.8	16.7
Turnover & Leverage ratios					
Asset turnover (x)	0.9	1.0	1.0	1.1	1.1
Leverage factor (x)	2.0	2.1	2.3	2.1	2.0
Net margin (%)	(5.9)	10.6	0.1	6.1	8.9
Net Debt/Equity (x)	0.2	0.2	0.0	0.0	-0.1
Working Capital Ratio					
Inventory days	15	17	18	16	16
Receivable days	88	66	55	54	54
Payable days	72	64	62	60	60
Valuation (x)					
PER (x)	10.7	16.5	23.5	10.2	6.0
Price/Book value (x)	2.0	1.6	1.6	1.4	1.1
PCE (x)	(26.1)	7.1	46.8	8.7	5.4
EV/Net sales (x)	1.2	0.8	0.7	0.6	0.5
EV/EBITDA (x)	10.0	10.1	9.1	6.8	4.7

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
23 April 2020	BUY	64	87
27 May 2020	BUY	51	87
17 June 2020	BUY	56	87
13 August 2020	BUY	61	87
24 September 2020	BUY	66	99
6 October 2020	BUY	66	99
13 November 2020	BUY	61	87
6 January 2021	BUY	93	112
8 February 2021	ACCUMULATE	104	109
22 June 2021	ACCUMULATE	98	109
12 August 2021	BUY	102	152
16 November 2021	BUY	104	167
28 December 2022	BUY	102	167
15 February 2022	BUY	90	167
27 May 2022	BUY	72	160
12 August 2022	BUY	76	160
19 September 2022	BUY	85	154
15 November 2022	BUY	73	154
13 March 2023	BUY	80	128
22 March 2023	BUY	75	128
26 May 2023	BUY	77	92
13 August 2023	ACCUMULATE	93	101
9 November 2023	ACCUMULATE	141	159
16 January 2024	BUY	157	182
8 February 2024	BUY	181	218
23 May 2024	BUY	189	220

Rating track graph



DISCLOSURES

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Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

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