

Ashoka Buildcon

HOLD

Traction in H2FY25

Summary

Ashoka Buildcon Q2FY25 operational numbers were weak due to weak execution in monsoon & slower roll out of government expenditure. EBITDA margin stood at 8.2% & ASBL sees that margin to improve in Q2FY26 as project with low margin will complete in FY25. Order inflow stood at Rs60bn for ASBL in H1FY25 & expects more inflow of Rs40-50bn in H2FY25. We value ASBL standalone business at 13x PER FY26E. There is upside risk to our TP a) on asset monetization, more than BV b) order inflow uptick, resulting in revenue increase more than our estimate. We have downgraded the stock to HOLD with TP of Rs264. Asset Monetization of 11 HAM/5 BOT/ 1 Annuity project is in final stages of closing the SPA. Though, this was earlier expected in Q2FY25. Closure of this reduce debt from current level of Rs13bn.

Key Highlights and Investment Rationale

- **Q2FY25 Snapshot:** ASBL revenue decreased by 9% YoY, EBITDA margin stood at 8.2% which is -82 bps YoY. PAT Stood at Rs362mn -49% YoY/-11% QoQ, PAT was lower due to impact on revenue & EBITDA.
- **Share purchase agreement:** ASBL's subsidiary ACL has entered into SPA with Highway concessions trust ltd to divest 5 HAM assets the aggregate value of the transaction is Rs57bn.
- **Sale of Land Parcel:** ASBL sold land parcel in Pune amounting to Rs4.5bn, this amount will be utilized to repay the trade payables.
- **FY25E and FY26E Guidance:** ASBL is expecting Revenue growth to be flat for FY25, EBITDA margin is expected to be ranging between 8-8.5% for FY25 & around 10-11% for FY26.

TP	Rs264			Key Stock Data	
CMP	Rs233				
Potential upside/downside	13%				Bloomberg/Reuters
Previous Rating	BUY				ASBL IN / ABDL.BO
Price Performance (%)					
	-1m	-3m	-12m		
Absolute	(7.3)	(0.4)	67.3		
Rel to Sensex	(2.8)	1.2	47.6		
V/s Consensus			Shareholding Pattern (%)		
EPS (Rs)	FY25E	FY26E	Promoters		
IDBI Capital	12	18	FII		
Consensus	12	19	DII		
% difference	(2.9)	(4.4)	Public		

	(Rs mn)				
Year	FY22	FY23	FY24	FY25E	FY26E
Revenue	45,915	63,723	77,267	77,597	85,543
Change (yoY, %)	20	39	21	0	10
EBITDA	5,025	5,337	5,765	6,208	8,383
Change (yoY, %)	(3)	6	8	8	35
EBITDA Margin(%)	10.9	8.4	7.5	8.0	9.8
Adj.PAT	4,610	3,221	2,257	3,299	5,023
EPS (Rs)	16	11	8	12	18
Change (yoY, %)	12.9	(30.1)	(30)	46	52
PE(x)	14.2	20.3	29	20	13
Dividend Yield (%)	-	-	-	-	-
EV/EBITDA (x)	13.8	13.6	12.9	11.9	8.5
RoE (%)	16	11	6	8	11
RoCE (%)	11	11	9	9	12

Source: IDBI Capital Research

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Conference call takeaways

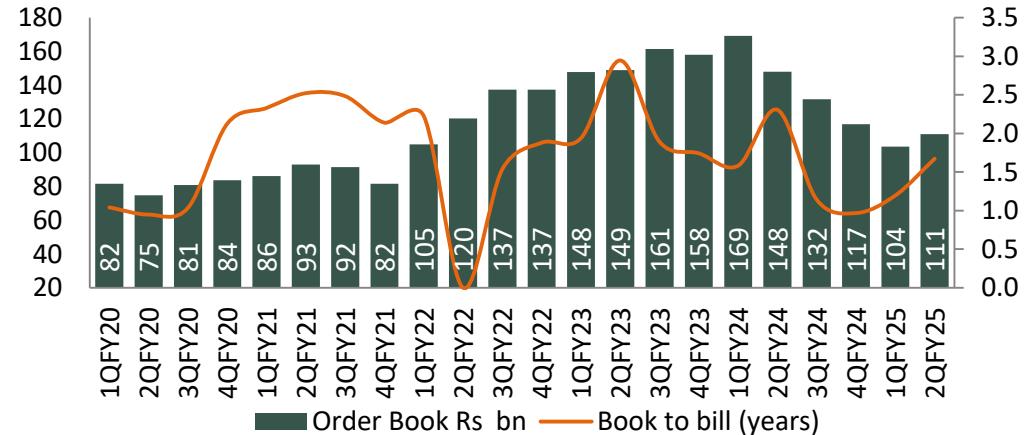
- Revenue for Q2FY25 stood at Rs14.1bn -9% yoY, ASBL is expecting revenue growth to be flat for FY25, EBITDA margin is expected to be in range of 8% for next 2 quarters, & post that pre covid projects will be over so company is expecting the margin to be in range of 10-12%.
- For Q2FY25, Order book Stood at Rs111bn (1.3x Book to bill) & order inflow at Rs22bn, Company's primary focus will be on sustainable EPC business in segment comprising highways, railways, power transmission, distribution, buildings and waterways.
- Order Inflow for the H1FY25 stood at Rs60bn & ASBL are expecting order inflow of Rs40-50bn more in H2FY25.
- During the quarter ASBL's subsidiary ACL has entered into SPA with Highway concessions trust ltd to divest 5 HAM assets the aggregate value of the transaction is Rs57bn.
- ASBL has also entered SPA with to acquire 34% stake of ACL from SBI Macquarie. The value of acquisition is Rs 15bn and post this acquisition ASBL will held 100 % Stake in ACL.
- During the quarter ASBL has sold land owned by Real Estate Portfolio by Viva Highways Limited, a wholly owned subsidiary, situated at Hinjewadi, Pune, for a total consideration of Rs4530mn. This amount will be utilized for repayment of trade payables of Power EPC segment.
- Debt for the quarter stood at Rs13bn, the debt to equity ratio stood at 0.5x for Q2FY25, It's mainly on account of the mix of projects that we have and mainly contributed by the increased turnover that we have over the last two, three quarters.
- ASBL has received new projects from MSRDC worth Rs23bn, and waiting for LOA to receive, as there are some land acquisition issues the company is expecting it to receive in Q4FY25.
- For Chennai ORR project & Jaora Nayagaon divestment company is still awaiting approvals from MSRDL, Company is expecting to start the divestment process somewhere in FY25 end or in mid FY26.
- The Water treatment project in Mumbai the execution for the project has been started; Rs4bn has been executed in FY24, o/s order book Rs7.5bn will be executed in this year itself.

Exhibit 1: Financial snapshot: Quarterly

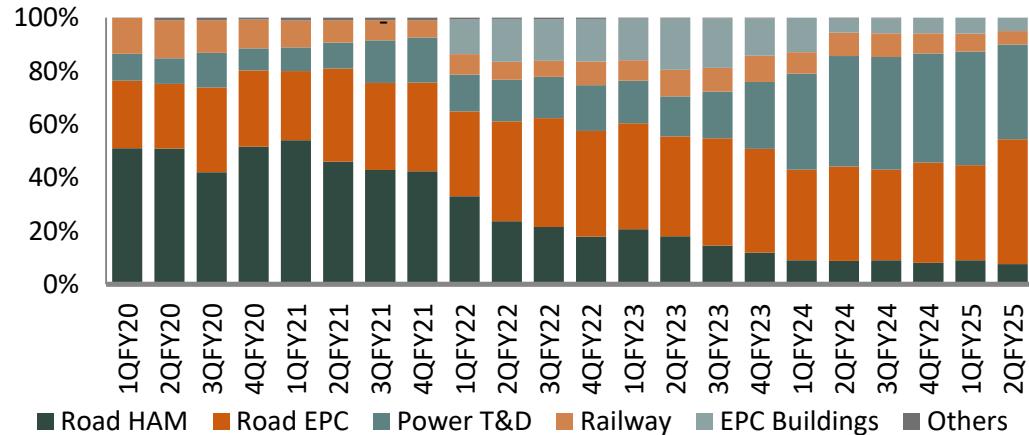
(Rs mn)

Particulars	Q2FY25	Q2FY24	YoY Chg (%)	Q1FY25	QoQ Chg (%)
Net Sales	14,176	15,613	-9	18,771	-24
Cost of sales ex Depri	12,986	14,174	-8	17,557	-26
EBITDA	1,190	1,439	-17	1,214	-2
<i>EBITDA margin (%)</i>	8.4	9.2	-82bps	6.5	193bps
Other income	413	284	45	237	74
PBIT	1,603	1,723	-7	1,451	11
Depreciation	249	247	1	224	11
Interest	706	527	34	663	7
Exceptional items	-	-	NA	-	NA
Pre-tax profit	648	949	-32	565	15
Tax (current+deferred)	286	237	21	157	82
Profit after tax	362	712	-49	408	-11
Adj. profit after tax	362	712	-49	408	-11

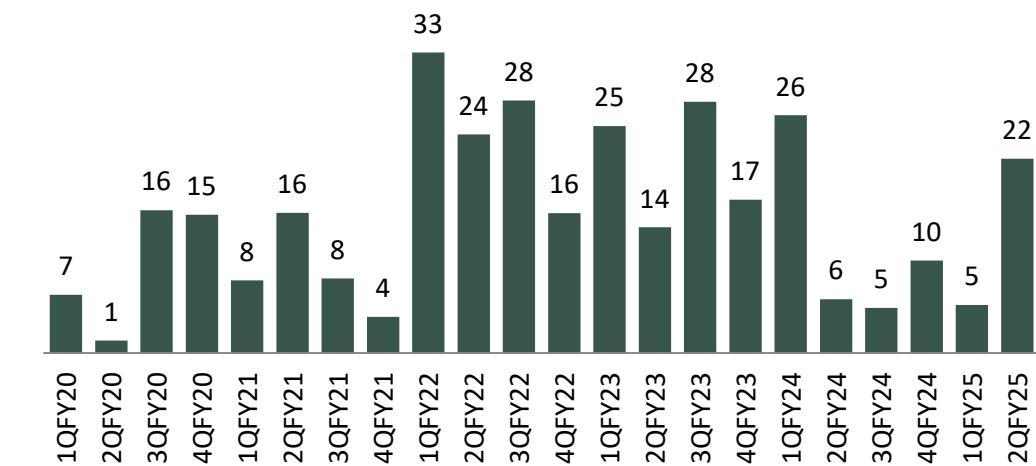
Source: Company; IDBI Capital Research

Exhibit 2: Order-book provides revenue visibility of ~1.5 year


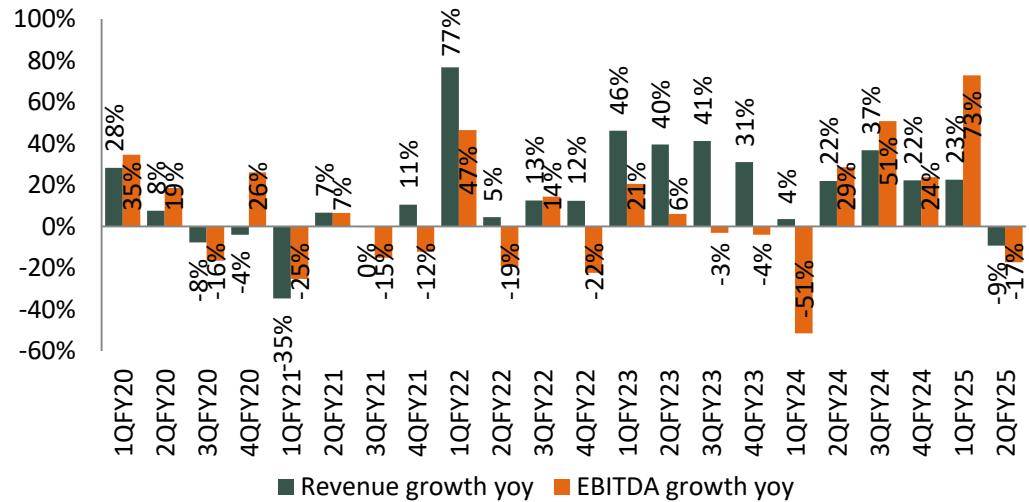
Source : Company

Exhibit 3: Order book composition : Road sector at 47%


Source : Company

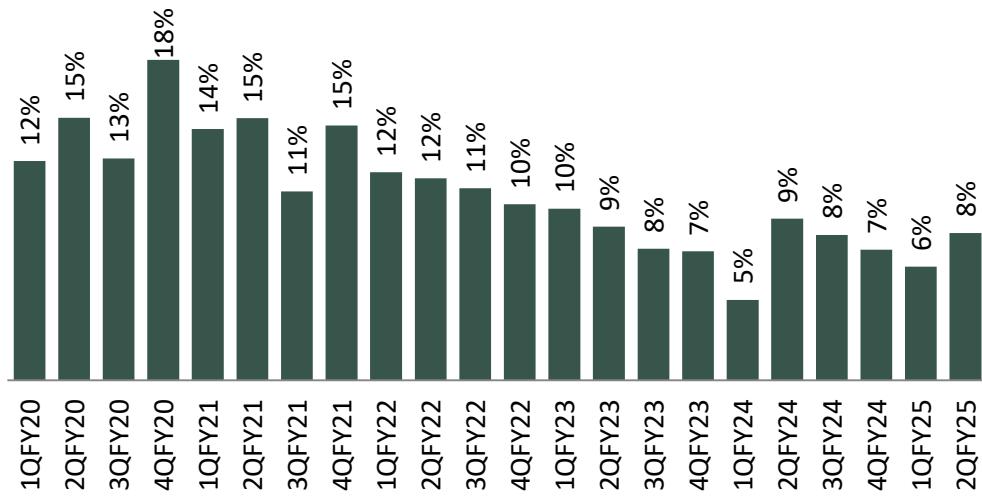
Exhibit 4: Order Inflow at Rs22bn in Q2FY25


Source : Company

Exhibit 5: Q2 Revenue -9% YoY, EBITDA -17% YoY


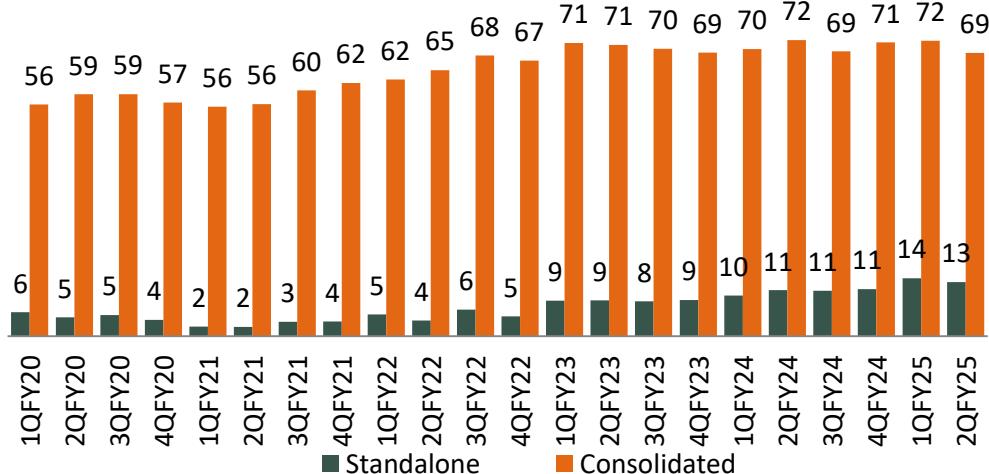
Source : Company

Exhibit 6: EBITDA margin at 8% in Q2FY25



Source : Company

Exhibit 7: Consol Debt in the books (Rs69bn)



Source : Company

Financial Summary

Profit & Loss Account

	(Rs mn)					
Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Net sales	38,175	45,915	63,723	77,267	77,597	85,543
Change (yoY, %)	(3)	20	39	21	0	10
Operating expenses	(32,980)	(40,890)	(58,387)	(71,502)	(71,389)	(77,160)
EBITDA	5,195	5,025	5,337	5,765	6,208	8,383
Change (yoY, %)	(11)	(3)	6	8	8	35
Margin (%)	13.6	10.9	8.4	7.5	8.0	9.8
Depreciation	(872)	(856)	(742)	(1,046)	(1,122)	(1,217)
EBIT	4,323	4,169	4,594	4,719	5,086	7,166
Interest paid	(772)	(697)	(1,410)	(2,281)	(1,847)	(1,647)
Other income	1,921	1,988	1,057	1,146	1,169	1,192
Pre-tax profit	5,472	13,156	750	1,413	4,408	6,711
Tax	(1,391)	(851)	(1,020)	(1,327)	(1,109)	(1,689)
Effective tax rate (%)	25.4	6.5	136.0	93.9	25.2	25.2
Minority Interest	-	-	-	-	-	-
Net profit	4,081	(3,086)	6,713	4,428	3,299	5,023
Exceptional items	-	7,696	(3,492)	(2,171)	-	-
Adjusted net profit	4,081	4,610	3,221	2,261	3,299	5,023
Change (yoY, %)	5	13	(30)	(30)	46	52
EPS	14.5	16.4	11.5	8.0	11.8	17.9
Dividend per sh	-	-	-	-	-	-
Dividend Payout %	-	-	-	-	-	-

Balance Sheet							(Rs mn)
Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E	
Shareholders' funds	30,067	26,987	33,697	38,125	41,424	46,447	
Share capital	1,404	1,404	1,404	1,404	1,404	1,404	
Reserves & surplus	28,664	25,584	32,294	36,721	40,020	45,043	
Total Debt	4,387	5,593	9,973	14,427	11,934	6,950	
Other liabilities	3,470	4,028	5,510	5,488	5,537	5,590	
Curr Liab & prov	17,090	17,052	22,820	29,299	27,942	28,277	
Current liabilities	16,701	16,832	22,605	29,164	27,535	27,776	
Provisions	389	220	215	135	407	501	
Total liabilities	24,947	26,673	38,303	49,214	45,413	40,817	
Total equity & liabilities	55,014	53,661	72,000	87,339	86,837	87,264	
Net fixed assets	2,871	2,806	3,107	3,295	3,173	2,956	
Investments	14,585	10,628	13,537	14,799	15,419	16,039	
Other non-curr assets	12,559	1,909	2,264	13,949	13,949	13,949	
Current assets	24,999	38,318	53,093	55,296	54,295	54,319	
Inventories	1,717	1,877	2,984	4,327	4,320	4,669	
Sundry Debtors	14,200	11,129	11,490	10,985	11,009	11,597	
Cash and Bank	1,940	1,669	2,720	5,368	3,313	1,330	
Loans and advances	7,141	23,643	35,899	34,615	35,654	36,723	
Total assets	55,014	53,661	72,000	87,339	86,837	87,264	

Cash Flow Statement							(Rs mn)
Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E	
Pre-tax profit	5,472	(2,236)	7,733	5,755	4,408	6,711	
Depreciation	872	697	742	1,046	1,122	1,217	
Tax paid	(1,227)	(1,515)	(1,390)	(1,526)	(1,109)	(1,689)	
Chg in working capital	(3,869)	(2,337)	(3,136)	(342)	(2,364)	(1,619)	
Other operating activities	62	7,002	(3,222)	(831)	1,847	1,647	
Cash flow from operations (a)	1,310	1,611	728	4,101	3,904	6,268	
Capital expenditure	(186)	(609)	(1,096)	(1,159)	(1,000)	(1,000)	
Chg in investments	(509)	(553)	(891)	112	-	-	
Other investing activities	(1,370)	(1,355)	(1,922)	(1,811)	(620)	(620)	
Cash flow from investing (b)	(2,064)	(2,517)	(3,909)	(2,857)	(1,620)	(1,620)	
Equity raised/(repaid)	-	-	-	-	-	-	
Debt raised/(repaid)	83	1,108	4,776	4,042	(2,492)	(4,984)	
Dividend (incl. tax)	-	-	-	-	-	-	
Chg in minorities	-	-	-	-	-	-	
Other financing activities	(819)	(853)	(1,417)	(2,315)	(1,847)	(1,647)	
Cash flow from financing (c)	(736)	255	3,359	1,727	(4,339)	(6,631)	
Net chg in cash (a+b+c)	(1,490)	(652)	178	2,971	(2,056)	(1,983)	

Financial Ratios

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
Book Value (Rs)	107	96	120	136	148	165
Adj EPS (Rs)	14.5	16.4	11.5	8.0	11.8	17.9
Adj EPS growth (%)	5	13	-30	-30	46	52
EBITDA margin (%)	13.6	10.9	8.4	7.5	8.0	9.8
Pre-tax margin (%)	14.3	28.7	1.2	1.8	5.7	7.8
Net Debt/Equity (x)	0.1	0.1	0.2	0.2	0.2	0.1
ROCE (%)	12	11	11	9	9	12
ROE (%)	15	16	11	6	8	11
DuPont Analysis						
Asset turnover (x)	0.7	0.8	1.0	1.0	0.9	1.0
Leverage factor (x)	1.9	1.9	2.1	2.2	2.2	2.0
Net margin (%)	10.7	10.0	5.1	2.9	4.3	5.9
Working Capital & Liquidity ratio						
Inventory days	16	15	17	20	20	20
Receivable days	136	88	66	52	52	49
Payable days	78	72	64	80	80	70

Valuations

Year-end: March	FY21	FY22	FY23	FY24	FY25E	FY26E
PER (x)	16.0	14.2	20.3	29.0	19.8	13.0
Price/Book value (x)	2.2	2.4	1.9	1.7	1.6	1.4
SEV/Net sales (x)	1.8	1.5	1.1	1.0	1.0	0.8
EV/EBITDA (x)	13.1	13.8	13.6	12.9	11.9	8.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company; IDBI Capital Research

Dealing

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Key to Ratings Stocks:**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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