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India | Equity Research | Q1FY25 results review

Ashoka Buildcon

Construction

Sub-optimal margins; Diversification of order book

Ashoka Buildcon's (Ashoka) pivot to diversifying its orderbook is not yielding the warranted results. In Q1FY25, operating margin declined 180bps YoY. As a result, despite revenue growth of >20% YoY, profit fell 44% YoY. In Q1, it received order inflow of INR 34bn, leading to rise in orderbook by 6% QoQ or book-to-bill ratio of 1.7x. Margin has been impacted in the last 2-3 years due to hike in input prices, execution of aggressively bid projects and diversification into new segments. Also, working capital has deteriorated, resulting in increase in working capital loans. Moreover, it has been unable to exit the existing PE investors. It has entered into an agreement to sell assets but approvals are awaited. Downgrade to **REDUCE** with TP of **INR 215**.

Margins declined by 180 bps YoY

Ashoka's revenue was up 23% to INR 18.8bn in Q1FY25. However, EBITDA declined 4% YoY to INR 1.2bn with EBITDA margin down 190bps YoY and 90 bps QoQ. Margin is likely to increase ~100bps in H2FY25E. Thus, APAT came in at INR 408mn, down 44% YoY. Guidance for revenue growth for Q2FY25 and H2FY25 stand at 8% and 10%, respectively. Revenue guidance for FY25 remains up by 15% YoY.

Book-to-bill ratio of 1.7x

Order inflow for Q1 stood at INR 26bn, flat YoY. Order backlog (OB) was INR 137bn (including L1 projects worth INR 34bn), down 18% YoY. Book-to-bill ratio stands at 1.7x, flat QoQ. The company hopes to secure orders worth INR 100-120bn in FY25. The OB is fairly diversified – the roads segment order book has declined to 45% and overseas orders now contribute to 10% of OB.

Delay in asset monetisation; likely in H1FY25

The company expects 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 SPA for HAM portfolio to be signed by Sep'24.

Downgrade to REDUCE at INR 215 per share

Given the low order book, increased debt and deteriorating working capital, we downgrade to **REDUCE** with a revised TP of **INR 215** (vs INR 204 earlier) per share based on an SoTP method of valuation.

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)	20.4	20.2	15.3	13.8
EV/EBITDA (x)	11.3	9.5	7.3	6.4
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)	66bn
Market Cap (USD)	783mn
Bloomberg Code	ASBL IN
Reuters Code	ABDL.BO
52-week Range (INR)	272 /90
Free Float (%)	46.0
ADTV-3M (mn) (USD)	8.1

Price Performance (%)	3m	6m	12m
Absolute	34.2	34.2	147.7
Relative to Sensex	25.6	23.6	123.8

Previous Reports

04-06-2024: [Q4FY24 results review](#)

Q1FY25 conference call highlights

Operational highlights

- Revenue split for the quarter was as follows:
 - Road EPC segment contributed 43% of revenue.
 - Road HAM segment contributed 10% of revenue.
 - Power EPC segment contributed 31% of revenue.
 - Railway segment stood at 10% of revenue.
 - Other segments stood at 5-6% of revenue.
- Standalone debt-to-equity ratio stood at 0.5%.

Order intake and backlog

- Order inflow for the quarter stood at INR 26bn, flat YoY.
- Order backlog at the end of Q1FY25 was INR 137bn.
- Order backlog includes L1 projects amounting to INR 34bn.
- FY25 order pipeline from the perspective of NHAI stands at 3,700km, amounting to INR 930bn for the year.

Other highlights

- NCDs (original value of INR 2.5bn) at ACL have been fully repaid, with repayment for Q1FY25 amounting to INR 1bn.
- Revenue growth guidance for FY26 stands at 20% YoY.

Outlook and Valuation

India witnessed a sharp dip in road bidding in FY24. While the delay was 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 which bode well for listed companies with stronger balance sheet. The delay has impacted the order inflow of EPC companies mainly dependent on road sector. We expect the bidding to pick up in H2FY25E.

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

Amidst a year of subdued road bidding, the orderbook of Ashoka stands at INR 137bn as on Q1FY25 result date (1.7x TTM revenue). With a strong bid pipeline of INR 2.5trn in FY25, it expects order inflow of INR 100-120bn, revenue growth of 15% and EBITDA margin of 9.5%, in FY25. We expect the bidding to pick up in FY25E post general elections in Apr-Jun'24.

Owing to low order book, increased debt and deteriorating working capital, we downgrade to **REDUCE** recommendation. Our SoTP-based target price is **INR 215** per share (vs INR 204 earlier), 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 risks – 1) Facing delays in finalizing SPAs for HAM and BOT projects, 2) Low order inflows

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	31,489	112
HAM	1.3x FY26E equity invested	17,432	1.3	22,662	81
BOT		17,755	1.2	21,306	76
Obligation to PE				(15,000)	(53)
Total				60,456	215

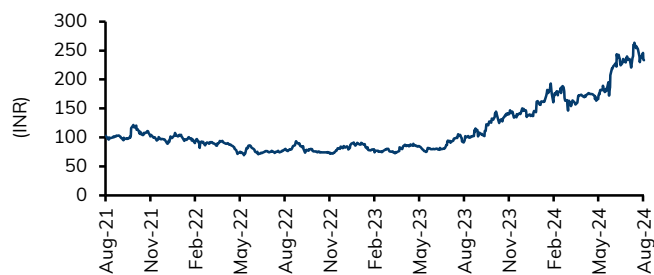
Source: I-Sec research

Exhibit 2: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	54.5	54.5	54.5
Institutional investors	24.2	24.8	26.0
MFs and others	19.7	17.6	18.1
FIs/Banks	0.0	0.0	0.0
Insurance	0.0	0.0	0.1
FIIIs	4.5	7.2	7.8
Others	21.3	20.7	19.5

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	20.4	20.2	15.3	13.8
P/CEPS	13.6	14.3	12.4	11.3
P/BV	1.9	1.7	1.6	1.4
EV / EBITDA	11.3	9.5	7.3	6.4
P / Sales	1.0	0.9	0.8	0.7
Dividend Yield (%)	(1.0)	(1.0)	(1.0)	(1.0)
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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